Announcing the publication of LEVY WEITZ Retailing Management, 8e

Enhanced, revised, and updated throughout, this powerful revision addresses exciting new trends in the industry to prepare your students for the realities of retailing in the 21st century. No other text gives you such a strong mix of conceptual, descriptive, and how-to coverage, and no other text is accompanied by such a wide range of teaching and learning resources, including Connect™ Marketing, the leading online assignment and assessment solution for business courses, available for the first time with Levy/Weitz.

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

- **Beefing Up McDonald’s** (Chapter 5)
- **Consumers Take Control of Shopping** (Chapters 1 and 5)
- **Forever 21’s Fast (and Loose) Fashion Empire** (Chapter 13)
- **Revamping, Home Depot Woos Women** (Chapters 2, 5, and 13)
- **How IKEA Seduces Its Customers: By Trapping Them** (Chapter 17)
- **Selling the Magic** (Chapter 17)
- **Pizza Chain Seeks Slice of Bicultural Pie** (Chapter 4)
- **Retailers Test New ID Tech to Try and ‘Wow’ Individual Consumers** (Chapters 10, 16 and 17)
- **To L’Oréal, Brazil’s Women Need New Style of Shopping** (Chapter 5)
- **A Self-Checkout Way of Life** (Chapter 18)
- **The Personal Touch** (Chapter 11)
- **Stores that Dwell in Stores** (Chapter 7)

If you are interested in the text book please visit [www.mhhe.com/levy8e](http://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](http://www.warrington.ufl.edu/mkt/retailcenter/research/publications.asp)
Teaching Tips

Short Videos Available on the Web

Borders Books and Barnes & Noble

- Use with Chapter 3, “Multichannel Retailing.”
- 3:47 minutes

Mobile Applications for Traveling

Mobile applications for booking hotels are valuable in filling capacity for the establishments and offering discounts to nearby consumers.
- Use with Chapter 3, “Multichannel Retailing,” and Chapter 16, “Retail Communication Mix.”
- 2:55 minutes

Sustainable Labeling on Fish

Some retailers are labeling the fish sold in their stores depending on the conditions in which the fish were caught.
- Use with Chapter 2, “Types of Retailers,” and Chapter 13, “Buying Merchandise.”
- 2:05 minutes

Successful Retailers

High end retailers and low end retailers are successful right now. The retailers that serve the middle of the market are not doing as well.
- Use with Chapter 2, “Types of Retailers,” and Chapter 13, “Buying Merchandise.”
- 3:48 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
Beefing Up McDonald’s

Mariko Sanchanta and Yoree Koh, WSJ.com, January 12, 2011

Use with Chapter 5, “Retail Market Strategy”

In the United States, McDonald’s is adding healthy eating choices to its menu to attract calorie-conscious diners. Not so in Japan, where Big Macs and Quarter Pounders—each containing 556 calories—make room for the 713-calorie Idaho burger and two other calorie-laden specials, the Texas 2 and the Miami burger. Menu differences between McDonald’s restaurants in the two countries continue, with U.S. stores offering a wide variety of meal-size salads and oatmeal laden with fruit while McDonald’s in Japan offers only a small side salad as a healthy option. How does this strategy make sense when Japanese are known to be healthier eaters than their American counterparts?

The approach, according to McDonald’s Japan, isn’t markedly different from the American one. In both models, the menu mainstay is beef. But McDonald’s Japan’s success in selling their burgers also rests in the company’s marketing strategy, which targets the consumer psyche of Japanese people by only offering the new burgers for a limited-time. If you want to try the beef-cheese-hash brown-bacon-onions-sauce extravaganza known as the Idaho burger, you better hurry. In a couple of weeks, it’s gone, replaced by the three-buns-chili-cheese-bacon burger known as the Texas 2.

McDonald’s Japan, which is 50-percent owned by the U.S. parent company, differs from McDonald’s in the United States in other ways that reflect culture differences. Restaurants are warmly lit, workers greet customers enthusiastically, and stores tend to be cleaner.

Discussion Questions:

What is the product development strategy of McDonald’s Japan? Why is this ironic, given what McDonald’s is currently doing in the United States?

McDonald’s Japan is introducing calorie- and fat-laden burgers and maintaining only a limited offering of salads. This strategy is in contrast to McDonald’s current approach in the United States, which involves expanding offerings of healthy choices like meal-size salads and oatmeal. The irony lies in the fact that McDonald’s U.S. is trying to change its image as a significant source of American obesity at the same time that McDonald’s Japan is promoting unhealthy foods in a country known for its healthy eating habits.

To what extent are the product campaigns of McDonald’s Japan actually consistent with local preferences? What particularities of the Japanese market is McDonald’s Japan cleverly exploiting?

Despite the traditional fish and rice diet of Japanese people, the mega McDonald’s burgers being rolled out in Japan appeal to local preferences because Japanese diners have developed a taste for beef and see the fast-food chain as a source of good-tasting burgers. Japanese consumers tend to be drawn to limited-time offerings; McDonald’s Japan is exploiting this particularity by making its American location-themed burgers available for a short time period.

Back
Consumers Take Control of Shopping

Sandra M. Jones, Chicago Tribune, January 4, 2011

Use with Chapter 1, “The World of Retailing” and Chapter 5, “Retail Market Strategy”

The combined forces of the recession and improved consumer technologies have turned the traditional shopping paradigm on its head. As recently as eight years ago, brick-and-mortar stores ruled retail, building sales through a combination of location, assortment, price, service, and advertising. Now consumers are in the driver’s seat, and retailers are rethinking their strategy from the ground up to appeal to shoppers who resist parting with their hard-earned dollars.

E-commerce has given shoppers a sense that choices are virtually limitless while simultaneously making it easy to compare price across a number of vendors without leaving the house. The technology has also given consumers the power to solicit input from friends with ease. As these conveniences become available on smart phones and through social networking sites, more shoppers are expecting stores to come to them with the right products at the right price rather than having to go looking for that value combination. Some retailers are taking advantage of this new channel by opening retail stores on Facebook, allowing shoppers to browse, see what their friends think, and buy without ever leaving their network.

Retailers are beginning to cooperate on price. This strategy is intended to prevent shoppers from bailing on a sale at the last minute because they find the same item at a lower cost on another site. But even that concession hasn’t stopped the financial pressure. Online swap sites allow shoppers to bypass retailers completely while saving money. Increases in materials and labor are forcing retailers to consider price increases that may further alienate customers. To remain competitive, big chain discount stores are downsizing drastically. Temporary pop-up stores in empty stores give retailers a way to test new concepts or markets.

Discussion Question:

What are the important trends shaping the world of retailing?

Two important trends are shaping the world of retailing. The first is a consumer reluctance to spend that relates to the recession. Many shoppers are still constrained by job loss or concerned about the economic future of the country. Others have found they are happy with fewer possessions and so are less likely to shop. The other trend is the dependence on Internet-based technologies, including computers, smart phones, and social networking sites. These tools give shoppers the ability to easily find the lowest possible price, solicit opinions from their friends, find opportunities to swap merchandise or rent products they need, and make a purchase...all without setting foot in a store.
Forever 21’s Fast (and Loose) Fashion Empire

Susan Berfield, Bloomberg Business Week, January 20, 2011

Use with Chapter 13, “Buying Merchandise”

The defining word for Forever 21 is fast: The company is fast to open new stores, fast to snap up real estate vacated by less fortunate retailers, fast to produce low-cost imitations for trendy fashions, and fast to turn over merchandise in their stores. This strategy has served the private, family-owned company well, allowing Forever 21 to grow its square footage tenfold over a seven year period, to increase its own brand offerings from one to six, and to post profits of $135 million in 2008. In the year ahead, Forever 21 plans to open at least 75 new stores in five countries. However, the future may not be quite as bright as company executives hope.

Originating as a single 900-square foot store in Los Angeles, Forever 21 now sells its low-cost trendy designs in prestigious locations such as Fifth Avenue. The company’s retail strategy is to offer every trend at far lower cost than designer items, and to keep the merchandise fresh (and the demand high) by ordering limited quantities of a style, rotating stock daily, and by turning over merchandise about twice as often as most other apparel retailers. Forever 21 doesn’t advertise, uses only very limited marketing, and is secretive about its operations.

Expansion of this magnitude in a limited time frame is difficult to control, as retailers aiming for this kind of meteoric growth in the past have discovered. Company leaders may burn out or get sick, vendor relationships may fail, cutting costs or delivery times in manufacturing can lead to quality problems and sweatshop conditions for workers, and consumer preferences may change. Any one of these scenarios could cripple Forever 21. Most newcomers adopt more moderate growth strategies for a reason: They have proved successful for the vast majority of retailers. While Forever 21 may have found a new formula for success, it’s far more likely the company will encounter difficulties.

Already there have been signs of trouble in paradise. Forever 21 was sued in 2001 by workers claiming unfair business practices and wage violations. Garment workers also boycotted the company for three years. Forever 21’s response to these difficulties was to claim they didn’t know about and weren’t responsible for factory working conditions. Then they sued the workers for defamation. Settlement was finally reached, but Forever 21 faced new charges of copyright infringement from about 50 labels claiming the fast-fashion retailer was copying their clothes. Once again, the company responded with “How should we know?” and settled many of the suits. While the judge chided Forever 21 for the number of lawsuits brought against it, one copyright law expert says that the company sees litigation as part of their business model: The company’s lawyer simply writes a check in response to claims rather than implementing a change in company practices.

Discussion Questions:

What is Forever 21’s retail strategy?

Forever 21’s retail strategy is all about speed and price for teenagers shopping for clothes. The company is growing rapidly, uncovers and imitates new trends quickly, and gets these fashionable garments into stores in record time at prices that are substantially lower than those of designer labels. Stores rotate and turn merchandise far more frequently than other apparel retailers, inspiring customers to buy the moment they see something they want and to return to the store frequently. New fashions are kept at the front of the store and changed daily.
Describe Forever 21’s growth pattern.

In keeping with its “fast” profile, Forever 21 has grown rapidly. In seven years, the company has increased its footprint tenfold, expanded its own brand offerings from one to six, and gone from sales of $700,000 in its first year of business to profits of $135 million in 2008. Plans for this year include opening 75 new stores in five countries.

What are the potential problems associated with such rapid growth?

Rapid growth like Forever 21’s forces companies to pressure their manufacturers for faster deliveries. This pressure can result in quality reductions and unacceptable worker conditions. Staying a step ahead of fashion trends also puts pressure on buyers and the merchandise team, which can lead to mistakes, inappropriate imitation of designer fashions, or burnout. Rapid expansion into new and larger stores also translates to larger real estate and inventory holdings. Abrupt changes in the market could leave Forever 21 holding significantly devalued assets.

In what legal and ethical problems have Forever 21 been involved?

Forever 21 have been sued by workers for substandard working conditions and by about 50 labels for copyright infringement due to imitated designs.

Do you believe they are adequately addressing these legal and ethical problems?

I don’t believe the company is appropriately or adequately addressing these problems. Building settlement costs into a business model ignores the validity of the lawsuit, and claiming ignorance is a management style that is becoming less acceptable in our culture. Forever 21 may be setting itself up for a Walmart-type problem, where shoppers avoid the store because of the company’s business practices.

Back
Revamping, Home Depot Woos Women


Retailers hoping to build sales in a challenging economy are finding creative ways to attract customers and motivate them to increase their spending once they are in the store. Home improvement centers like Home Depot, True Value, and Lowe’s are following suit, changing store interiors, product offerings, and marketing to appeal to women who are redecorating rather than to men who are renovating. Women have long been shoppers in these stores. The difference now is that these retailers are catering to them in ways that may help replace profits lost to deferred major renovations or purchases of big-ticket items.

The focus is on smaller projects—a new coat of paint in the living room, new lighting in the bathroom, new carpets and drapes in the bedroom—and Home Depot is making home decorating easy by offering coordinated Martha Stewart products. A woman wanting to ensure her living room do-over has a professional, integrated look, for example, might select Martha Stewart products that all carry a moon icon. Choice of products includes patio furniture, lighting, vanity tables, bathroom décor and cabinets in addition to drapes, paint and carpets. The idea is that the woman will buy everything she needs for her redecorating project, not just a vanity or light fixture. Lowe’s has also added a line of decorating products with feminine appeal and incorporated more female-friendly touches. True Value’s new corporate-owned store has less of a mega-hardware store feel through use of wider aisles, clear signs, and improved lighting.

Discussion Questions:

What are Home Depot and other home improvement centers doing to appeal to women?

*Home Depot and other home improvement centers are redesigning aspects of store design and increasing their offering of redecorating products to appeal to women. Specifics include Martha Stewart furniture, window treatments, light fixtures, and paint marked with icons to help simplify the process of achieving a coordinated look; wider aisles and better signage and lighting; and increased selection of products relevant to redecorating projects.*

Which of these stores do you believe is doing the best job at appealing to this lucrative target market?

*Home Depot’s partnership with Martha Stewart holds great promise because it allows busy shoppers to give their homes an attractive face-lift without significant investment in time or money. But even though these home improvement centers have long counted women as a big piece of their customer base, my feeling is that they need to do more to appeal to women. Stores are dim, signage is poor, and customer assistance is insufficient. Women ask for, and appreciate, advice. Friendly, knowledgeable staff capable of explaining the Martha Stewart labeling system, making informed home decorating suggestions, and helping women plan for and shop for their project would go a long way toward increasing sales. This same approach would help female shoppers who are at Home Depot to replace a toilet, build a storage shed, install a garage door opener, or accomplish any of the myriad tasks typically associated with men. In many cases, these projects are performed by women out of preference or need.*

Back
How IKEA Seduces Its Customers: By Trapping Them

Elizabeth Tyler, Time Magazine, January 28, 2011

Use with Chapter 17, “Store Layout, Design, and Visual Merchandising”

For many people, navigating the New York City subway system blindfolded might be easier than getting out of IKEA once they’ve ventured past the first display. Turns out that maze-like interior may be intentional.

Customers unable to find the exit, the theory goes, are likely to stay longer and purchase more. Shoppers hunting for a sofa may see the perfect side tables or remember they need a lamp. Even more dangerous for the impulse shopper is the IKEA marketplace. Shoppers have no choice other than to wend their way through marketplace aisles in their search for the door, and many people drop smaller items like tableware or picture frames into their cart. After all, the price is right, the opportunity is there, and threading back to the item later may prove impossible.

In response to these claims, made by a London professor and posted on YouTube, IKEA says that their store layout is intended to inspire ideas for every area of the home. There are shortcuts, IKEA claims, and these shortcuts must exist for safety reasons. Furthermore, while some customers complain about the store layout, others find it helpful. It is not substantially different from other furniture stores, which display rooms filled with furniture to help customers envision decorating possibilities. The largest difference may be in directing traffic through the marketplace, where impulse purchases abound. But arguably, this technique has its advantages as well: Consumers may pick up items they need but wouldn’t have thought to add to their list for furniture shopping. For IKEA, the advantage is clear in increased sales.

Discussion Questions:

Describe IKEA’s layout.

IKEA’s displays are organized by room, so that shoppers view living rooms in one area, bedrooms in another, kitchens in a third, and so on. Each area includes different looks to help shoppers decide what will work best in their home. Navigating in and out of displays and from one area of the store to the next is disorienting, and customers must pass through the marketplace area, which is stocked with small, impulse-buy merchandise, before reaching cash registers.

What are its advantages and disadvantages from the consumers’ and IKEA’s point of view?

The layout gives consumers a variety of home decorating options, grouped by area of interest. Shoppers only interested in a dining room set, therefore, can bypass displays relating to kitchens or bedrooms. Passing through the marketplace could be helpful because the area contains small items for the home that shoppers may not have added to their list because they were thinking more in terms of furniture than light bulbs or cookware. However, many shoppers find the layout confusing, frustrating, and even tortuous.

IKEA believes that the store layout helps inspire decorating ideas in their customers, and store managers would certainly not complain that more time spent in the store results in more purchases. Disadvantages lie in unhappy customers, including shoppers who would rather pay higher prices than navigate through IKEA’s floor plan.
Do you like the layout? Why or why not?

I really dislike the layout. I find it confusing and frustrating, particularly if you do try to find your way back to an item you saw earlier to compare price or style.

Back
There’s no need to visit a theme park to experience the magic of Disney. The newest Disney store, recently opened in New York’s Times Square, is intended to be an immersive, interactive environment where kids can experience wonder while Moms benefit from convenience and happy children.

The approach, called experiential retailing, uses advanced technology to project high-definition animation that can change with the season and reflect the ever-changing variety of Disney movies and characters. Animations are projected on novel surfaces or in unexpected ways, like a Marvel cartoon projected on a spinning LCD screen or a curved movie screen. Shoppers follow a pixie dust trail through the second floor, passing through different sections on aisles that comfortably accommodate strollers. Inside the 20-foot high Princess Castle, children can summon a Disney princess in a magic mirror by waving a wand. In another area of the store, children can build a toy car based on the movie “Cars.”

Technology innovation extends to customer service as well. Disney store staff, known as cast members, carry miniature hand-held registers that allow them to ring up a sale from anywhere in the store. In addition to facilitating faster, more convenient checkout, the registers capture customer buying patterns and product performance in Disney stores across the globe and help local stores tailor their assortment based on shopper preferences.

Discussion Question:

How does Disney’s new Times Square store improve the customers’ experience?

Disney’s new Times Square store improves the shopping experience for parents and children by using advanced technology and interactive displays to make store visits more experiential. Specifics of this strategy include novel projection techniques that show animations related to Disney movies and characters, a magic mirror where children can summon a Disney princess by waving a wand, and an opportunity to put together a car based on the movie “Cars.” Disney also uses leading-edge technology—mobile, hand-held registers—to make checkout easier and more convenient for shoppers.
Pizza Chain Seeks Slice of Bicultural Pie

Julie Jargon, WSJ.com, December 30, 2010

Use with Chapter 4, “Customer Buying Behavior”

Food marketers like Kraft Foods and Anheuser-Busch are making their products and advertising more user-friendly for Hispanic consumers by adding Spanish translations to packaging and selling lime-infused beer. The Dallas-based pizza chain, Pizza Patrón, is going the opposite direction and adding English to their Spanish-language marketing materials. The shift comes in response to focus groups and surveys that indicated the chain was attracting younger and more multicultural customers.

When the first Pizza Patrón opened in 1986, it lured first-generation immigrants who tended to order in Spanish. Recognizing the opportunity to differentiate Pizza Patrón from other pizza chains, the company’s founder focused on opening new stores in neighborhoods that were predominantly Hispanic, offered menu choices likely to appeal to Hispanics, used Spanish on menus and menu boards, and focused advertising on Spanish-speaking radio and television stations. The strategy resulted in a chain that has grown to 100 stores in 25 years, and that projects revenues of more than $40 million this year.

Now the Pizza Patrón restaurants are serving the children of these early customers. These young diners, who frequently have purchasing power in the household because of their English language skills, are more fully integrated into American culture. According to a recent U.S. Census Bureau report, these young Hispanics are the fastest growing segment of the youth population in the United States, making them a valuable resource for Pizza Patrón. As a result, Pizza Patrón is shifting its marketing mix so that a significantly higher number of ads will run on English-language media outlets. New stores will open in neighborhoods that are less heavily Hispanic, as well as in areas where Hispanics have moved.

Despite the appeal of this new audience, the chain doesn’t want to run the risk of alienating its existing customer base. As a result, the restaurants will continue to offer food which appeals to its target clientele, including toppings like chorizo sausage and jalapeno peppers, churros, and lime-and-pepper flavored chicken wings. While English will now be the primary language on menu boards and printed materials, these marketing tools will still contain Spanish. The store also plans new marketing efforts designed to appeal to their traditional clientele, including in-store displays relating to holidays traditionally celebrated by Hispanics and Spanish-language phrases that mean more to Hispanic customers than to those who simply translate the individual words.

Discussion Questions:

Why is Pizza Patrón developing a marketing strategy that is more English-language based when its customer profile is primarily Hispanic?

Although its customers are primarily Hispanic, Pizza Patrón has discovered that it is now serving the children of their original clientele, and that these youth are more integrated into the U.S. culture than their parents. As a result, the new customers are comfortable with English as well as with Spanish. These young Hispanics are the fastest growing segment of the youth population in the U.S., which makes them an important source of revenue for Pizza Patrón.
What role has marketing research played in Pizza Patrón’s strategic decisions?

After noticing that Pizza Patrón patrons were ordering in English and that customers included African-Americans and whites, the company conducted focus groups and surveys that confirmed its customer base was becoming younger and more bicultural.

How can Pizza Patrón target a new market without alienating its traditional customer base?

The chain is attempting to retain its traditional customer base while targeting a new market by keeping Spanish on the menu, using Spanish idioms that mean more to native Spanish speaker than to those who must translate the phrase, by increasing the Latin-themed menu offerings, and by using store displays relating to holidays usually celebrated by Hispanics. The company is also continuing to expand in communities popular with Hispanics and to use Spanish-language media outlets, although they have reduced their focus on both of these strategies.

Back
Retailers Test New ID Tech to Try and ‘Wow’ Individual Consumers

Mark Albright, St. Petersburg Times, January 18, 2011


Imagine being greeted by name when you walk past the front window of a store. It’s not a friend calling out to you. It’s the store’s technology, reading your identity from a security chip embedded in your credit card or loyalty card. An invasion of privacy? An interesting way to attract your attention? These are some of the questions being weighed by retailers as they investigate—and employ—new ID technology.

RFID, or radiofrequency identification, tags debuted in the retail world in 2006, when Walmart began using the technology on pallets. At the time, the tags were too expensive to use on individual items, but they improved tracking and efficiency through the supply chain. Now that the tag price has dropped substantially, a number of merchants are using RFID to track individual items.

Each tag, or chip, contains ten times as much information as a bar code. Because the tag emits a radio signal, information can be read at a distance, making inventory assessments faster, more complete, and more accurate. This information informs better ordering and stocking. The technology reduces inventory mistakes, a positive for merchants but a problem for shoppers hoping for deep discounts on unwanted merchandise.

Technology innovations don’t stop there. Soon customers will be able to browse, select, compare prices, and learn more about the products that interest them simply by pointing a finger. Adidas, for example, is testing a video wall. With one finger, shoppers spin a projected wheel filled with Adidas shoes and point to the one they want to try. The action is captured on camera and computer analyzed to identify the choice. The shoes can then be either brought from the storeroom by a clerk or mailed to the customer. Another innovation using camera and a database projects purchasing suggestions based on “facial detection” software. This technology captures an image of the shopper, analyzes age, sex and height, and consults a database to display product offerings in keeping with those characteristics.

Discussion Questions:

How are some retailers changing the way they use RFID? Why the change?

Now that the price of RFID chips has dropped, some retailers are using the chips on individual units rather than solely on pallets. These chips hold far more information than bar codes and can be read from a distance by sensors that are hand-held or attached to doorways or store fixtures.

What other new technologies are retailers experimenting with to improve the customer experience?

Retailers are looking to increase their “wow” factor by combining wireless technology and cameras. These technologies go beyond touch screens, allowing customers to make product selections by pointing at a video display. Other uses include reading information from a credit card or customer loyalty card in the pocket of a passerby and greeting that...
person by name and matching product suggestions to shopper by capturing a facial image and analyzing age, sex, or height.

Back
To L’Oréal, Brazil’s Women Need New Style of Shopping


Use with Chapter 5, “Retail Market Strategy”

Women in Brazil are used to having their cosmetics and skin-care products come to them. Direct sales account for a big piece of cosmetics and skin-care sales in the country, and more than 2.5 million Brazilian women earn a living by selling products door to door. L’Oréal wants to change all that. The company’s plan is to station beauty advisors promoting Maybelline, Garnier, Lancome and other L’Oréal brands in department stores; tailor makeup to local preferences; and introduce new lightening creams in pharmacies.

L’Oréal targeted Brazil because the country trails only the United States and Japan in cosmetic sales and the company already has a presence there. In addition, L’Oréal has plenty of room for growth in Brazil: Avon holds a larger market share, and sales for makeup and skincare in the country lag far behind L’Oréal’s international sales figures for those categories.

However, the strategy is radically different from that of the country’s market leader in beauty and personal care, Natura Cosméticos, which focuses on direct sales in its domestic market and Latin America. Natura, which has an innate understanding of the needs and preferences of their customers, also uses local ingredients in its products. The company remains confident that customers will continue to appreciate direct sales well into the future. L’Oréal, meanwhile, claims that women will appreciate the modernity of self-service.

Discussion Question:

Do you believe that L’Oréal’s Brazilian strategy will be successful? Why or why not?

I do not believe L’Oréal’s Brazilian strategy will be successful because it focuses primarily on the company’s business objectives and not sufficiently on the culture of the local market. Foreign companies looking to increase their market share need to fully understand the habits and preferences of their target audience, define an unmet need, and review the strengths and weaknesses of their competitors. They then need to develop strategies that meet that need and that will be acceptable to the customers they hope to reach. I would also hope L’Oréal has used appropriate marketing research techniques like surveys and focus groups as part of their market analysis for all of their proposed initiatives.

Back
A Self-Checkout Way of Life

Beth Teitell, Boston Globe, January 4, 2011

Use with Chapter 18, “Customer Service”

It’s been almost two decades since the first self-scanner made an appearance in a grocery store. Since then, the DIY technology has proliferated not only among supermarket checkout aisles, but also in libraries and pharmacies and at airports in the form of do-it-yourself check in. Not everyone loves self scanners, and not everyone can make them work. Nevertheless, self checkout is accepted by an overwhelming majority of shoppers.

Before long, self-checkout will go mobile in the form of cellphone apps that allow customers to scan the bar code on their purchases and enter credit card information. No standing in line, grabbing the last-minute candy bar or catching up on celebrity gossip. To leave the store, customers need only show the itemized receipt displayed on their phone to an employee. Another option will be to use a store-issued handheld scanning unit while shopping and then pay at either a staffed or self checkout register.

The technology is attractive to merchants because it makes the checkout faster and results in fewer employees needed on registers. It may also result in theft reduction, since most front-end theft is done by an employee or an employee working with a customer. Theft deterrents like security tags, integrated cameras, scales, or laser analysis of the product size ensure self-scanning doesn’t lead to increased shoplifting. Self checkout also causes a drop in impulse buying while waiting in line.

Customers appreciate the speed of checkout and, for veteran DIYers, the ease of use. But not all shoppers find self-scanning preferable to reading about who has the worst bikini body or just zoning out. In fact, some customers worry about holding up other shoppers while trying to sort out the process for scanning produce. Others find the experience embarrassing, particularly when the scanner is being uncooperative.

Discussion Question:

What are the advantages and disadvantages of self-checkout from the perspectives of the store and its customers?

Self-checkout technology helps stores by reducing the number of checkers needed, cutting costs and employee and employee-assisted theft at the front end, and by speeding the checkout process. The only real downsides are a reduction in customer interaction and a drop in impulse sales.

Customers comfortable with the technology have little to lose, other than a few pounds from not adding candy to their purchases and a couple of minutes of zone-out time while they wait for their total. Those who struggle with the scanners find the experience embarrassing, and some avoid even trying it out of concern they will look stupid or delay other customers.

Back
The Personal Touch

Susan Reda, Stores, January 2011

Use with Chapter 11, “Customer Relationship Management”

Sam’s Club eValues program delivers customized discounts and suggestions to “plus” members. These customers pay more for their memberships. In return, Sam’s wants to make sure they receive more.

eValue combines advanced data analysis techniques and grid computing to turn information about customer buying habits into increased loyalty and sales. Special offers, which include rewards and incentives, are based on past purchases and automatically loaded onto the customer’s loyalty card. They can be redeemed via home computer, mobile phone app, or an eValues kiosk located in Sam’s Club. The approach helps Sam’s retain customers, but the retailer decided to take it one step further. Using advanced analytics capability, the retailer discovered a way to entice shoppers to try new products consistent with their purchasing profile.

For example, a member who typically purchases diapers at Sam’s but who has never bought baby wipes might receive a coupon for wipes, while another member who purchases cough medicine and has never visited Sam’s pharmacy would receive a discount good at the pharmacy. Delivering appropriate and appreciated offers is a Herculean task, involving analysis of trillions of possible combinations of products and offers. But company executives believe the investment is worth it, bringing in response rates that are up to 30 percent higher than with mass marketing and 4-5 times higher than segmentation analysis.

Discussion Questions:

What is the eValues program at Sam’s?

Sam’s eValues program rewards “plus” members with incentives tailored to their buying histories. These discounts can be accessed via home computer, mobile phone app, or at the eValues kiosk located in the club.

How does Sam’s use the information from the eValues program to increase the purchases of loyal customers?

Sam’s uses information on customers’ prior purchasing patterns to reward plus members with discounts on the products they are mostly likely to buy. The analytics behind the program are so sophisticated that they also allow the warehouse club to entice plus members to try products they have never purchased before from Sam’s, but that are consistent with the types of purchases they make regularly.

Back
Stores that Dwell in Stores

David Kaplan, Houston Chronicle, January 10, 2011

Use with Chapter 7, “Retail Locations”

Successful retail management requires flexibility and creativity. Throw a bad economy into the mix, and managers really need to think outside the box...and inside the store. In a new trend, merchants are employing more stores inside their stores, a Russian-doll strategy that involves nestling another stand-alone brand inside the home chain’s walls.

The right combination benefits the smaller sbenefits from a unique offering not available at competitor locations. Both merchants stand to gain by attracting the attention of shoppers who would not otherwise have entered their stores. The concept also works for customers, who can pick up gourmet cheese or a Polo Ralph Lauren sweater during a regular weekly shopping trip, or practice putting while their spouse shops for a snow.

The store-within-a-store model has worked well in high-end Asian department stores and is being in used in Europe as well. In the United States, Macy’s stores host Sunglass Hut boutiques; some locations also have Polo Ralph Lauren stores. J.C. Penney shoppers can pick up beauty products from a Sephora store or visit MNG by Mango. Penney's is also adding Call it Spring by Aldo boutiques to some stores. In selected locations, Sears hosts Edwin Watts Golf stores, complete with putting green, driving range, and a golf specialist. Kroger’s is now rolling out the concept, adding New York City-based Murray’s Cheese gourmet offerings in a number of locations. The strategy shows signs of success: Specialty cheese sales jumped 30 percent at Kroger stores hosting Murray’s Cheese.

Business arrangements between host and guest vary, as do the sizes of the interior stores. Edwin Watts leases nearly 3,000 square feet from Sears and hires its own staff. Edwin Watts customers can use their Sears credit card even though the economics of the two stores are separate in most ways. In other cases, the larger store operates the smaller one. In Penney’s Sephora boutiques, for example, specially trained Penney employees staff the Sephora store. Even the ministores may vary from location to location, with some of the Polo Ralph Lauren stores inside Macy’s having their own flooring, walls and fixtures, while others have a more limited presence.

Discussion Questions:

Which retailers have store-within-a-store relationships with other retailers?

J.C. Penney hosts Sephora and MNG by Mango and is introducing Call it Spring by Aldo.
Macy’s hosts Sunglass Huts and Polo Ralph Lauren ministores.
Sears maintains a store-within-a-store relationship with Edwin Watts Golf.
Murray Cheese shops are nested within Kroger grocery stores.

What are the advantages and disadvantages for the hosting retailer? The within-the-store retailer? The customer?

The hosting retailer loses some floor space, which is an advantage when consumer spending is down because the host can collect in the form of rent or sales from square footage that might otherwise have been vacant. The loss of space, however, may become problematic when shoppers loosen their purse strings unless profits from the ministore outstrip
those that the host retailer could realize from its own merchandise. The store-within-a-store model also attracts new customers and helps distinguish the host from competitors.

The smaller store also stands to gain new customers from its host’s shoppers and further benefits from the larger volume of traffic typical in a large department store. Disadvantages may include loss of autonomy/dilution of brand resulting from being run and/or staffed by the host company and loss of the storefront presence inherent in being a stand-alone store.

The approach gives customers a two-for-one shopping opportunity, making it possible to shop for diverse needs in one location. It can also make for a better shopping trip for couples, since one spouse may be happy lingering at the driving range while the other shops home décor.

Back