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

- Zappos Makes Nice with Vendors (Chapter 13)
- A New Sales Model: Employees (Chapter 15)
- A Powerful Category with Upside Potential (Chapters 14 and 17)
- Where Wal-Mart Failed, Aldi Succeeds (Chapters 2, 5 and 7)
- Retailers Push Amazon on Taxes (Chapter 6)
- Clothes Makers Join to Set ‘Green Score’ (Chapter 13)
- A Changed Starbucks. A Changed C.E.O. (Chapter 5)
- Home Depot centralizes in-store hiring process (Chapter 16)
- Supermarket Social Scene (Chapters 11 and 15)
- Responding to Online Bashers Works (Chapter 11)
- RFID in CPG to Retail- What Really Happened? (Chapter 10)
- As Big Boxes Shrink, They Also Rethink (Chapter 17)
- Data Mining: How Companies Now Know Everything About You (Chapters 4 and 11)
- Ruling Emphasizes Crowd Control by Retailers (Chapter 16)

If you are interested in the text book 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

Top Ten Innovative Retailers

Groupon was No. 1 on Fast Company’s list of 10 Most Innovative Companies in Retail. Only five brick & mortars -- Trader Joes, Marks & Spencer, IKEA, Starbucks and Urban Outfitters -- made the cut. The Top Ten and reasons for their selection are:

1. Groupon for "integrating web and the real-world shopping experience, changing consumer behavior, democratizing small businesses, and spawning an entire new category." It also claimed Groupon was the fastest-growing company in web history, earned a profit within its first seven months, and led to "more than 500 copycat sites" globally.
2. Trader Joe’s was praised for "becoming bigger than Whole Foods while retaining its down-home image." By stocking "a winning combination of yuppie-friendly staples (cage-free eggs, organic blue agave sweetener) and affordable luxuries," Fast Company said Trader Joe’s stores are generating an estimated $1,750 in merchandise per square foot, more than double the level of Whole Foods.
3. Marks & Spencer was praised for its sustainability progress, including leading the way in charging for plastic bags, significantly reducing packaging, launching a clothing recycling venture with Oxfam, and reducing the impact of the materials it uses on deforestation.
4. Amazon "for leading the way into the digital book market with the Kindle -- and setting off a major shift in the public’s reading habits," as well as for its dominance of online retailing.
5. eBay "for leading the charge on mobile commerce." Fast Company’s editors noted that this year alone, eBay expects to sell $4 billion in goods via smartphones and tablets, more than double its figures from 2010 and well above those from any other retailer. Its core iPhone app has been downloaded some 15 million times.
6. Apple "for creating platforms and products that breed entirely new businesses," including the App Store, iTunes 10, the Apple TV digital storefront, and the iPad.
7. Starbucks "for listening to its customers -- really." Out of the nearly 98,000 ideas have been submitted to MyStarbucksIdea.com, 100 have been adopted. These include donating unsold pastries to homeless shelters, giving baristas name badges, selling reusable sleeves, and bringing back Salted Caramel Hot Chocolate.
8. Shopkick, the location-based shopping app, for "bridging the in-store and mobile retail experience." Fast Company’s editors noted that beyond rewarding customers as they enter a store, Shopkick's app also guides users through physical retailers, letting them see reviews and multimedia content.
9. IKEA for its eco-initiatives, including selling used furniture online in Sweden as well as investment in developing alternative energy solutions and lighting products.
10. Urban Outfitters "for nurturing very distinct, successful, and quirky retail brands, including the youth-oriented Urban Outfitters, the romantic and sophisticated Anthropologie, and the high-end, bohemian Leifsdottir."

**Short Videos Available on the Web**

**South China, the largest in world, is not successful.**

**Mobile Wallets**
The term mobile wallet refers to a person’s mobile phone with the ability to pay for items using near field communication. The mobile wallet contains all personal and payment information.
- Use with Chapter 3, “Multichannel Retailing.”
- 5:04 minutes

**Saks Fifth Avenue**
The CEO discusses their luxury consumer and how they have changed.
- Use with Chapter 5, “Retail Market Strategy,” and Chapter 15, “Retail Communication Mix.”
- 3:47 minutes

**Royal Wedding Merchandise**
Retailers create limited edition products for the Royal wedding.
- Use with Chapter 12, “Managing the Merchandise Planning Process.”
- 2:14 minutes

**Facebook Deals**
Facebook is selling deals to their users similar to Groupon, Living Social, and GiltCity. The deals on Facebook are all focused on social activities. Users can also use their Facebook credits to purchase real items.
- Use with Chapter 5, “Consumer Buying Behavior,” and Chapter 15, “Retail Communication Mix.”
- 4:04 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
Zappos Makes Nice with Vendors

March 2, 2011, Retail Wire

Use with Chapter 13, “Buying Merchandise”

Fred Mossler, head merchandiser at Zappos, understands that strengthening relationships with vendors is critical to the success of the retailer. Mr. Mossler knows that vendors know their brand better than anyone else in the business. Zappos believes that when vendors feel that they are represented fairly within the retailer’s business they will have a stronger commitment to the retailer’s overall success.

Since Mossler joined Zappos 11 years ago, he has worked to develop strong vendor relationships. Zappos has created many initiatives to enhance these partnerships. For example, Zappos has a policy that all vendor calls and emails are returned during the same day. Zappos also throws an annual Vendor Appreciation Party to recognize the efforts of its suppliers. In addition, Zappos has vendor recognition programs that reward milestones for various brand achievements.

More recently, Zappos has given its vendors access to the same merchandise information that the buyers use. This previously proprietary information includes inventory levels, sales information, and profitability reports. Vendors can use this brand information to recommend changes to Zappos’s merchandise plan.

Discussion Question:

What does Zappos do to build strong relationships with its vendors?

Zappos knows that building relationships with its suppliers is critical to its success as a retailer. Zappos recently introduced initiatives to promote transparency within the company to give vendors access to proprietary information like inventory levels and sales and profitability information. Zappos has also developed vendor appreciation initiatives to recognize the efforts of its vendors.
A New Sales Model: Employees

Sarah Nassauer, WSJ.com, March 17, 2011

*Use with Chapter 15, “Retail Communication Strategy”*

Many consumers often have a hard time relating to the models that retailers use to showcase their products. In order to make its products more “relatable,” Zappos has begun using its staff to promote certain products. Zappos has made about 58,000 short videos using mostly staff to provide a video explanation for individual products. Zappos believes that this strategy is successful because it is using people that match its target segment to promote its products; this makes Zappos even more relatable to its customers.

Zappos performed several market research tests to determine the impact of the video explanations and found that purchases increased about 10% when the product included a video description. They also have found that products including a video explanation have lower return rates.

J. Crew is also adopting this strategy for some of its men’s products. The company is hoping that this regular guy approach helps the customers build a stronger connection to the J. Crew brand.

Not all Zappos videos are flattering, but even the unflattering ones still stimulate a response from customers. Zappos believes that showing the product in action encourages customers to imagine how the product would work for them. Still, Zappos is working on minimizing the unflattering videos.

While Zappos still uses professional models for its clothing because the models are already wearing the clothes for photo shoots, Zappos is hoping to one day use non-models to showcase the clothing as well.

**Discussion Questions:**

**Why did Zappos choose to use real employees instead of professional models to demonstrate its products?**

*Zappos believes that if you use someone that resembles the target market to promote the products, it stimulates more demand for the product. Additionally, the video explanations that go with the product encourage customers to consider how the product would work for them.*

**Explain how Zappos tested the effectiveness of their promotional videos in comparison to a product description without a video.**

*Zappos showed its products two ways, with the video and without the video. They tracked consumers shopping behavior both with and without the video. Zappos found that products with the video had 10% higher sales than products without the video. Although these results indicate the effectiveness of the video explanations, Zappos is still trying to determine exactly what components of the video impact sales the most.*
Besides Zappos and other retailers like J. Crew who are mentioned in the article, what other companies or industries might benefit from the use of product demonstration videos with “real” people? Explain

Customers are often distrustful of companies like car dealerships, where they feel like they are not getting a good deal. Using “real” people in dealership commercials might make consumers feel more comfortable with the firm. Consumers in a target market are likely to trust other consumers as they as similar to them. Another industry that might benefit is the technology industry. For example, Best Buy could use “real” innovators to demonstrate a product to appeal to other technologically savvy consumers. Conversely, Best Buy could also use “real” people to demonstrate the ease of use of some of its more mainstream products to appeal to consumers who might be leery of certain technologies.
A Powerful Category with Upside Potential

March 22, 2011, Retail Wire

Use with Chapter 14, “Buying Merchandise” and Chapter 17, “Store Layout, Design, and Visual Merchandising”

For many consumers, the smell of fresh baked bread is comforting. For grocers, bread also symbolizes profit. Over 60% of households in the United States purchase bread every week. In addition, fresh bread generates 4.9% of retailer’s profits; this is the 2nd largest individual product category contributor to profit. In 2010, the fresh bakery bread category accounted for over $10 billion in sales.

The reason that so many consumers buy bread every week is because of America’s love of the sandwich. Over 50% of bread consumption in the United States comes from sandwiches, the go to item for lunch and dinner. Because of the importance of the sandwich, bread purchases also lead to other complementary purchases like deli meat, cheese, condiments, spreads, and jams and jellies.

Even though bread is a high selling item, many retailers believe that there is still potential growth within this product category. Some experts believe that by redesigning the bread aisle, retailers can further enhance bread productivity. Redesign initiatives should focus on managing category space, placing the appropriate complementary products adjacent to the bread, and positioning the bread aisle more prominently within the store. Bread should be displayed on a perimeter aisle to promote cross-merchandising opportunities.

Discussion Questions:

Why is bread such an important category for food stores?

Bread is an important category because of the high productivity, profitability, cross-merchandising, and growth potential. 60% of households purchase bread every week and it accounts for almost 5% of a store’s profitability.

Retailers can better position bread throughout the stores. Aisle management is important for capitalizing on the success of bread. Retailers should showcase complementary products, including sandwich ingredients, near the bread to encourage cross shopping.

Back to Top
Where Wal-Mart Failed, Aldi Succeeds

Stephanie Clifford, March 29, 2011, New York Times

Many grocers and discount stores like Target and Walmart have primarily focused on suburban sprawl as their primary growth strategy. Recently, as consumers are migrating back to downtown areas, many grocers and discount retailers are trying to set up shop using smaller formats in more urban settings. However, many consumers in these settings are blocking this growth because they see stores like Walmart as evil corporations that will tarnish the urban atmosphere.

Many urban areas though, have embraced discount retailer Aldi. Aldi, an international grocery chain, was founded by the Albrecht Brothers in Germany in the 1940’s when they took over their mother’s retail business. In 1961, the brothers introduced the name Aldi, which is short for Albrecht Discount.

Aldi has been in the United States since 1976, and recently opened its first New York City location, a feat that Walmart has yet to accomplish. Aldi has adopted a smaller, no-nonsense format. The retailer typically gets space from existing landowners and makes little changes to the urban landscape. The majority of Aldi’s products are private label products. Aldi only focuses on about 1,500 popular grocery items, offering customers a minimum assortment. This limited selection of product lines, however, leads to high sales per square foot in the smaller format stores.

Aldi works to manage customer expectations. While they keep the stores clean and comfortable, unlike historical discount grocers, consumers should not expect to find many brand name or exotic items. To prevent theft, customers have to pay a quarter to use a grocery cart, but they get the quarter back when they return the cart. Such cost saving measures allow Aldi to keep their prices low.

Aldi’s unassuming retail format resonates with customers. This consistency with formatting and product offering has allowed Aldi to develop retail space in areas where even Walmart is not invited.

Discussion Questions:

What is Aldi’s retail format?

Aldi uses a smaller retail format. The new store in Queens, NY is 17,500 square feet. 95% of Aldi’s merchandise is private brand. Aldi’s offers a limited assortment of merchandise, which is extremely price-competitive. While Aldi is a no-frills retailer, it works hard to keep the environment pleasant and comfortable for the consumer.

Where is it locating?

Aldi is locating in smaller retail formats in cities around the United States, including cities that have not allowed Walmarts. When Aldi arrived in the United States in 1976, they began opening about 25 stores a year. In the past
several years they have added about 250 more stores across the United States, with plans to open 160 more in the next two years. Aldi is an international retailer headquartered in Germany. They are the 8th largest retailer in the world with stores throughout Europe as well.

Why is it succeeding in its location strategy, while Walmart has failed?

Aldi’s smaller format is less disruptive to the urban landscape. Aldi works with current landowners to find an existing space to accommodate its format. For many consumers and urban planners, Walmart has become a corporate bad guy, which makes them very unpopular in some cities. Many bargain hunting consumers are attracted to Aldi because of its bargain prices and smaller, more convenient format.

*Back to Top*
Retailers Push Amazon on Taxes

Miguel Bustillo and Stu Woo, March 17, 2011, Wall Street Journal

Use with Chapter 6, “Retail Financial Strategy”

Amazon.com is under pressure from the Alliance for Main Street Fairness, to start collecting sales tax for online purchases made through its website. Initially, the lobbying group represented smaller independent retailers. Many of the country’s largest retailers like Walmart, Target, and Home Depot have joined forces with the Alliance to push legislators to change the rules on sales tax collection for online purchases.

In 1992, the Supreme Court ruled that only merchants who have a physical presence in a state have to collect sales tax. Amazon currently collects those taxes in Kansas, Kentucky, North Dakota, Washington, and New York. However, consumers who make purchases in other states via Amazon.com do not have to pay sales tax on their items. This price break is appealing to customers, especially during the economic recession.

However, the recession has also impacted many state coffers that rely heavily on sales tax dollars to fund state governments. With the decrease in sales tax created by the recession, state legislators can no longer ignore the sales tax dollars lost to online purchases, especially to retail goliaths like Amazon.com. Legislators view this unaccounted for sales tax as a way to grow revenue while keeping tax levels even.

Amazon, however, claims that that new tax laws will alienate Amazon’s valuable business affiliates that include other websites that direct shoppers to Amazon’s online store. These affiliates, in turn, collect commissions for the sales resulting from these referrals. Illinois passed legislation in March that demands that Amazon collect sales tax if it has affiliates in the state. Immediately after this legislation was passed, Amazon severed relationships with 9,000 of its Illinois affiliates to avoid tax collection in the state.

Discussion Questions:

What is Walmart, Target, and other large retailers doing to level the sales tax playing field?

Walmart, Target and other large retailers have joined forces with the Alliance for Main Street Fairness to develop legislation that mandates Amazon.com and other online retailers to collect sales tax on online purchases. Online purchases are attractive to consumers because of the lack of sales tax. However, many states rely on that tax income to fund state programs.

Should online customers be charged sales tax?

Although online sale tax would be a financial burden to consumers, it is my opinion that it is really the only fair way for bricks and mortar stores to compete with Internet stores on a level playing field. There is no reason why an online retailer should have this unfair advantage. When sales tax laws were passed, there was no Internet. In those days, the rationale for having no tax on Internet sales is that citizens are not supposed to be taxed without representation. So based on this premise, if an Internet store is based in California and someone in Colorado makes a purchase, then that
consumer shouldn’t have to pay California tax. But in today’s environment, since online retailers are operating in many, if not all, states, they should be required to collect and pay taxes in all the states in which they do business.

Currently, multichannel retailers are collecting sales tax from customers in states in which they have stores. So, if J.Crew has a store in Colorado, and a Colorado customer makes an online purchase, then the customer will be charged Colorado sales tax, even though the package will be shipped from another state. Although this policy will be a burden on smaller retailers at first, system will be developed to facilitate the collection of sales taxes.

Back to Top
Clothes Makers Join to Set ‘Green Score’

Tom Zeller, Jr., March 1, 2011 , New York Times

*Use with Chapter 13, “Buying Merchandise”*

Many of today’s consumers consider themselves “green” and opt for more organic and environmentally-friendly products when given the option. However, American consumers still seem relatively oblivious to the environmental implications of apparel production. In 2010, U.S. consumers spent over $340 billion on clothing and shoes. This is about 25% of the global market. And, according to the American Apparel and Footwear Association, almost 99% of the clothing and apparel that Americans purchase is produced in other countries.

Many clothing items are comprised of multiple pieces and come from a variety of manufacturing plants creating a multinational supply chain. Because of the complexity of the global supply chain, understanding the environmental impact of a single garment, or even a brand, has been nearly impossible.

The Sustainable Apparel Coalition includes companies like Walmart, J.C. Penney, H&M, Hanes, Patagonia, and Timberland. This coalition also includes academics, members of the Environmental Defense Fund, the labor rights group Verite’, and the Environmental Protection Agency. This group recently announced that it is creating a database that assesses the environmental impact of “every manufacturer, component, and process in apparel production, with the aim of using that information to eventually give every garment a sustainability score.”

The tool is designed to help clothing designers choose materials and suppliers based on a sustainability score. The database will assign scores to manufacturers based on all the components of the garment’s life cycle. This includes cotton growers, dye suppliers, textile mills, etc. This also extends to such areas as packaging and shipping. The Sustainable Apparel Coalition will assign scores based on social and environmental measures including: water and land use, energy efficiency, waste production, greenhouse gas production, and labor practices.

This tool is a work in progress. The Sustainable Apparel Coalition has to develop standardized sustainability measures across multiple product categories. Additionally, the coalition has to gather information from production facilities around the world.

**Discussion Questions:**

**What are some retailers and their vendors doing to assess the sustainable or “green” nature of their products?**

*Many retailers are far removed from the production of the items that they sell in their stores. Because of the complicated global supply chain, many retailers, and even vendors, own little of their production process. Over 30 members, including retailers, vendors, and policy analysts, have created a Sustainable Apparel Coalition. This coalition is currently working on a tool to assign a sustainability score to all supply chain partners involved in apparel production. This tool will evaluate companies based on various societal and environmental measures.*

**Why is this initiative harder than it looks?**

*There are a variety of moving parts here. For example, in the production of a pair of pants, there is the raw materials component, perhaps a zipper manufacturer, a button manufacturer, and a dye producer. In addition, there are the companies that package the jeans, brand the jeans, and ship the jeans. Combining all of these companies together to provide one sustainability score is going to be an arduous process. Many of these companies might not be willing to share proprietary information about their business practices.*
Would you pay for a green product?

Ask students what they are willing to pay for products that are green versus products that are not considered green. Many consumers consider themselves green, but do not really want to have to pay more for the greener products. Also ask students the impact that environmental sustainability has in their decision making process.
A Changed Starbucks. A Changed C.E.O.

Claire Cain Miller, March 12, 2011, New York Times

Use with Chapter 5, “Retail Market Strategy”

For many retailers, growth is often a primary goal. For Starbucks, however, growth over the last decade became “carcinogenic” according to CEO, Howard Schultz. Stockholders are often interested in retailers who pursue an aggressive growth strategy as potential investment opportunities. However, Starbucks rapid growth hid so many deficiencies in the company, that the growth quickly disenfranchised investors and other shareholders.

When Howard Schultz returned as CEO to Starbucks in 2008, he was quickly humbled by Wall Street and the tough decisions that faced him. Starbucks was hard hit by the recession as consumers tightened their spending budgets and quickly realized that eliminating their daily Starbucks habit could save a lot of money. Furthermore, Starbucks had invested in numerous stores across the country that were severely underperforming and probably should not have been opened. Over the next year, Starbucks closed 900 locations worldwide, around 600 of them in the United States, and cut $580 million in costs.

Now, sources close to Mr. Schultz say that he is realizing that this is not the “Howard Schultz Show” and that he is focused on redefining the brand strategically and thoughtfully. Rather than going by gut instinct alone, Mr. Schultz is now seeking input for other executives and board members. Mr. Schultz is setting a new direction for the company to focus on more strategic growth, versus the hit or miss growth of the past decade.

One of Starbucks’ primary growth initiatives is global growth, specifically China. Over the past twelve years, Starbucks has amassed 800 stores in China. These stores are highly profitable and placed well within the region. In China, there are over 140 cities with over a million people in them. Starbucks realizes that, although many retailers and brands are flocking to China, there is still a tremendous opportunity for the retailer to continue to grow and thrive in the country. Starbucks is underrepresented in South American countries like Brazil, and wants to add to its existing stores in those countries. Starbucks also plans to open up stores in India in the next year, and may consider opening up retail outlets in Vietnam.

Another growth strategy for Starbucks is instant coffee. Although many industry insiders consider this product category to be declining, Starbucks views this as a potential cash cow for the company. Historically, Mr. Schultz would have launched a full scale blitz to introduce a new product. However, with Via (Starbucks instant coffee), Starbucks took a more methodical approach and tested Via in several markets before going national. In 2010, sales of Via were over $200 million, and are continuing to grow. Not only is Via sold in Starbucks stores, it is also sold in grocery stores in five different countries.

Starbucks is also working to continue to build the brand image of the company not only through its retail outlets, but through its consumer packaged goods as well. According to Schultz very few companies are successful in both their retail stores but also as a consumer-packaged-goods company. The introduction of Via into the retail store format provided customers the opportunity to experience the product and develop a connection to the product; this connection translated into success for Via as a consumer-packaged-good as well. Starbucks is working to continue to integrate the Starbucks brand across both distribution channels (Starbucks retail stores and third-party retailers like grocers and drug stores).
Schultz knows that no talented employee wants to work for a company that is not growing, and no investor wants to see stagnant growth. The next go around of growth for Starbucks will be more strategic and thoughtful versus the hit-or-miss Starbucks’ growth strategies of the past.

**Discussion Questions:**

**Place Starbucks’s new growth initiatives into the Growth Opportunity Matrix on Exhibit 5-4 on page 123.**

Starbucks’s global growth initiatives include continued growth in China and South America and new stores in India and Vietnam. These are examples of market expansion. A market expansion opportunity involves using the retailer’s existing retail format in new market segments. While Starbucks may make some product changes to accommodate the different tastes of global customers, the retail format will still be close to the same. Starbucks will use these existing retail formats to reach new markets in these growing economies.

Starbucks introduction of Via is an example of both retail format development and diversification. A retail format development growth opportunity is an opportunity in which a retailer develops a new retail format for the same target market. Via is an example of a new product for Starbucks, which is a new format, that Starbucks is using to reach its current customers in a new way. Via can also be considered a diversification opportunity for Starbucks. Related diversification occurs when a new opportunity, in this case Via, is related to a retailer’s present target market or format. Via may also appeal to new markets of customers that may not frequent Starbucks, or buy its current products.

**Evaluate each of these initiatives.**

Ask students to consider the introduction of Via. Does this product dilute Starbucks’s brand image, or does it further enhance it? Is the introduction of Via cannibalizing some of Starbucks’s current customers?

Have students consider the implication of global expansion. What does this mean for distribution, quality control, and standardization? Is Starbucks growing too quickly abroad and will they face some of the same growing pains abroad as they did in the United States?

*Back to Top*
Home Depot centralizes in-store hiring process


Use with Chapter 16, “Managing the Store”

For most retail chains, hiring store employees is an arduous process with very little support or involvement from the corporate office. Stores like Target, Best Buy, and Walmart have in-store computers where potential applicants can complete an online application for positions within the store. This computer application process screens out candidates who do not fit the stores’ needs. However, store management is still responsible for sifting through the remainder of the applications, contacting potential employees, scheduling interviews, interviewing, and ultimately hiring employees. For many store managers this takes away valuable time from their other responsibilities. In addition, this process often fails to give potential employees an accurate picture of what a job entails, including potentially working nights and weekends.

Home Depot, however, has developed a new system to streamline the hiring process for its stores. Outside of its Atlanta headquarters, Home Depot has developed a human resources service center that has around 400 employees that work with potential hirers. Applicants still apply in stores or through an online application process. However, rather than have the applications screened at the store, they are screened at the human resources service center. Home Depot representatives screen the applications and decide which ones to grant phone interviews to. During the phone interview, screeners ask potential employees soft questions to get a feel for whether or not the applicant will fit in with the corporate culture. The screeners also explain the job positions and some of the requirements for the job so that there are no surprises for the candidate.

The human resource representatives assign scores to each applicant; those applicants with the best scores are forwarded on to the store management teams to interview. Store management appreciates this process because it eliminates many steps in the hiring process for them and also ensures that they are only meeting with high quality candidates.

The Home Depot said that with this new system it takes an average of 14 days from the time a store requests a need for an employee to the time the job is filled.

Discussion Questions:

What is Home Depot doing to improve its hiring practices?

Home Depot is streamlining its hiring for store positions through a central location. All potential candidates’ applications are sent to this central human resource center. There, the applications are screened and called for phone interviews. Only the candidates with the highest scores from these activities are recommended to the individual store. The store management team, then, only has to interview 4-5 candidates for a job, versus the previous format of screening every single candidate.
What are the advantages of this new system from Home Depot’s and the potential employee’s perspective?

From the Home Depot’s perspective, there are several advantages. First, this method saves store managers valuable time by reducing the time they spend hiring and increasing the time they spend on the floor. Secondly, this method also develops some standardization across all Home Depot stores allowing for more consistent hiring practices. Thirdly, this process is very efficient and will therefore save Home Depot time and money. From an employee’s perspective, this method ensures that the potential employee will not get lost in the shuffle. Previously, potential employees were at the mercy of the stores, and if a store manager got busy, then the employee’s information might fall by the wayside. This process also ensures fair and consistent hiring practices.

Some potential employees may do better in person than on a phone interview, so this method might hurt their chances. Also, every store has a different culture and store managers understand the individual store culture perhaps better than a human resource representative that might be 20 states away. This process might erroneously match candidates that might not fit the individual stores’ cultures.
Supermarket Social Scene

March 22, 2011, Retail Wire

New hangout supermarket, Tracy Turners, March 20, 2011, The Columbus Dispatch

Use with Chapter 11, “Customer Relationship Management” and Chapter 15, “Retail Communication Strategy”

Most people think of going to the grocery store as a chore, but many of today’s grocery store chains are working diligently to change that perception. Traditional grocers are finding their market shares eroded by discount stores like Walmart. Walmart has supply chain economies of scale that most grocers cannot compete with and alternately, end up having to charge higher prices. So, many grocery store chains are developing new creative ways to add value to the customer’s shopping experience.

Whole Foods started this phenomenon by building bars and restaurants inside their stores where customers could stop and relax, have a glass of wine or a bite to eat, while also shopping for their groceries. Many other grocery store chains are starting to adopt the concept of experiential shopping at the grocery store. For example, the Brewers Yard Kroger in Ohio has a band play in the store on Friday nights. This store also has a built in bar, called the Tap Room, that sells a variety of specialty beers and wines. On average, 80 people can be found at the Tap Room on a Friday night.

Other grocery store chains are starting to offer flat-screen TV’s, comfortable chairs, free Wi-Fi hotspots, in store cooking classes, and wine tasting events, to create a more interactive experience for the customer. For many singles, the supermarket is becoming a more attractive place to socialize because it seems less threatening and a safer environment to meet people versus traditional social hot spots like bars and pubs.

Grocery stores have tight profit margins so the costs associated with these various initiatives can sometimes be cumbersome for grocers to manage. But, many grocers feel that developing this interactive experience is creating a more loyal customer and that loyalty will pay off in the long run.

Discussion Questions:

What are supermarkets doing to increase sales?

Many supermarkets are trying to create a more interactive experience for the customers. Some stores have added chairs and flat screen TV’s to their stores to make customers more comfortable, while other stores are offering in store restaurant and bar service. Other grocers are offering wine and cooking classes to demonstrate innovative products and ingredients.
Do you believe this technique will increase customer loyalty?

Ask students their thoughts about “hanging out” at the grocery store? What are the benefits of socializing at the grocery store versus traditional social hot spots like bars and clubs? Another article in this newsletter talks about Aldi, a no-frills retailer that offers customers private label products at discounted prices. Is that format going to win the loyalty war or are retailers that try to engage the customer in the shopping experience going to win the loyalty war?

Can other retailers use this technique?

Many independent and specialty retailers use similar techniques to engage the customer. For example, Williams and Sonoma, the gourmet cooking store, hosts cooking classes and product demonstrations. Sephora, an international health and beauty store, hosts make up application classes and has special events for loyal customers. Independent stores might also have special events to engage with the local community. For example, a specialty running store might host a “Ladies Night” just for women and feature running products and advice targeted specifically for women.

Back to Top
Responding to Online Bashers Works

March 7, 2011, Retail Wire

Use with Chapter 11, “Customer Relationship Management”

Word-of-mouth is one of the most powerful forms of communication. Historically, retailers had little control or even knowledge of what consumers would say about them. With the rapidly growing usage of social media and online review sites though, consumers are taking to their computers to vent their frustrations. Retailers can actually see what consumers are saying about them, and even more importantly, they can do something about it.

In January of 2011, RightNow conducted a study of consumers 18 or older who shopped online during the holiday season. According to this survey 68% of customers who posted something online about a negative shopping experience said that they had actually received a reply from the retailer. Of these 68%, 18% went on to become loyal customers of that retailer. When customers have a bad experience, they usually do not return to a retailer. Now, however, the onset of online complaining provides the retailer with an opportunity at service recovery.

Other findings from the survey indicate that 50% of the consumers surveyed purchased from a retailer based on customer service or a previous positive experience with the retailer. 28% of the customer surveyed used social networking sites to research what other customers were saying about a retailer.

Discussion Question:

Armed with the results of the survey reported here, what recommendations would you make to retailers?

Ask students how retailers should respond to this information? Most students will probably agree that monitoring its online presence is critical for retailers. Not only does this information help retailers connect with customers, it also helps retailers understand customer needs and perhaps identify opportunities for growth and improvement. This information also suggests that retailers should probably develop formal service recovery procedures for online complaints. Ask students what retailers should do to accommodate chronic complainers or people that constantly speak negatively of the retailer.

Back to Top
Radio Frequency Identification (RFID) was once considered the shining light in streamlining supply chain management. For many years, RFID was used extensively in industries based in automotive and heavy equipment production. Several years ago, hype spread that RFID should also be used in consumer packaged goods (CPG). Walmart led the charge for RFID adoption in CPG leaving many vendors scrambling to determine the cost and infrastructure demands that this new technology would place on production.

However, recent inactivity in RFID demand indicates that Walmart has lost interest in the initiative and no other retailer is willing to invest the resources to develop RFID in the CPG area. Perhaps Walmart did not consider all the costs associated with RFID. Many CPG products have very tight margins and introducing 5-7 cents per item for an RFID chip seems a cumbersome expense.

While some CPG companies contend that there is a great ROI in some product categories, they cannot make the investment with RFID without the support of retailers. Venture capitalists invested hundreds of millions funding RFID companies, which advanced the RFID technology dramatically. Now, it is up to some technologically savvy retailers to capitalize on those advancements.

Discussion Questions:

How did retailers expect to use RFID?

Retailers use RFID to track products from manufacturer to store. RFID allows for accurate, real-time tracking from the point of production to the point of consumption. Retailers can use RFID to reduce warehouse and distribution costs, reduce theft, eliminate counterfeit merchandise, and increase inventory savings.

What is the current state of RFID in retail?

Some apparel retailers, like American Apparel, are using RFID to improve inventory accuracy and to ensure that the sales floors are better-stocked. The RFID tags allow American Apparel to determine whether or not merchandise is displayed on its store fixtures. Other retailers, like Target, Best Buy, and Albertson’s are experimenting with RFID for palleted merchandise. However, few retailers have adopted RFID at the item level.

Why is the former expectation and the current reality different?

The expectation of RFID was that it was going to initiate tremendous cost savings for retailers. Walmart was leading the charge in RFID technology and encouraged its vendors to get on board. Recently, though, Walmart appears less interested in RFID adoption. A major impediment to RFID adoption is the high costs per RFID tag. In addition, RFID generates more data and more technology needs for retailers that many find too cumbersome to handle.
As Big Boxes Shrink, They Also Rethink


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

Over the past several decades, many retailers followed the “bigger is better” format for developing their retail locations. In today’s competitive marketplace, many retailers are realizing that online stores like Amazon have an inventory plan that overshadows even the largest big box retailer. Furthermore, advances in supply chain management have reduced the amount of inventory that retailers need to keep on hand, further reducing the need for so much backroom storage space. Big box retailers like Best Buy, Staples, Home Depot, and even Walmart are looking for ways to maximize profitability in their behemoth stores and are also transitioning to smaller formats.

Best Buy began offering musical equipment, as well as exercise equipment, in some of its stores to fill up floor space. Earlier this year, Best Buy also announced that it would be transitioning its growth to smaller formats called Best Buy Mobile locations. These condensed Best Buys will focus on smart phones.

Staples and Office Depot, both giant office supply stores, are both transitioning into smaller formats that target small business owners and teachers. These locations will average 5,000 to 8,000 square feet, but will still offer the majority of frequently purchased office products.

Walmart is also introducing its Walmart Express format. This format is targeted towards urban locations that cannot accommodate the larger, traditional Walmart format. These locations will be based on convenience rather than product assortment alone.

Other retailers are developing creative initiatives to increase profit at their locations. For example, Home Depot is renting space in its parking lots for fast food restaurants to open. Kmart is leasing retail space within its stores to small business owners. Where once there was a rush to get bigger, now there is a rush for retailers to get smaller.

**Discussion Question:**

**Why are some retail chains shrinking the size of their store?**

Some retailers are shrinking the size of their stores to maximize profitability. Retailers are realizing that even with their gigantic store format, they cannot compete with the inventory assortment of online retailers like Amazon. They are also realizing that with advances in supply chain management, there is no need to have so much storage space to house inventory.
Data Mining: How Companies Now Know Everything About You

Joel Stein, March 10, 2011, Time

Use with Chapter 4, “Customer Buying Behavior” and Chapter 11, “Customer Relationship Management”

The collection and sale of personal and behavioral data is now a multibillion-dollar industry. Companies like Google’s Ad Preferences, EXelate, RapLeaf, and IntelliDyn gather data about customers based on their online purchases, what websites they visit, their Facebook photos, their customer rewards cards, what magazines they subscribe to, and surveys that they have filled out. These data are collected through tracking devices (like cookies) that allow companies to identify consumers as they peruse the Web. Applications that customers download to their smart phones allow these companies to view the customers’ locations and contact lists.

Facebook also provides advertisers with information about consumers’ preferences. Facebook does not sell any data. However, data mining companies “scrape” all personal data that is not protected by privacy settings. This means that data miners can see everything that a customer “likes” and everything that a customer’s friends “like.”

Each of these pieces of information are sold for about 2/5 of a cent to advertisers who use this message to send a targeted Internet ad, catalog, credit card offer, or other direct marketing message to consumers. For many customers, these specified ads create a feeling of being watched all the time and a lack of anonymity. However, retail industry analysts claim that although ads are targeted to individuals, most companies don’t really know who that customer is. Chances are also good that hundreds of other people are also seeing the same targeted message.

For retailers, information gleaned from data mining allows them to send more targeted ads to consumers, which are more effective than nontargeted ads. Retailers like Zappos use this information to suggest products to people that are similar to other products the customer is reviewing. Amazon uses this information to make recommendations to customers on products that they might be interested in.

For most customers, the world of online data mining is overwhelming and sounds more ominous than it is. The Federal Trade Commission, however, is beginning to develop new legislation to protect customer privacy in this digital age. One of the top items on the agenda, is the development of a “do not track” feature similar to the highly successful “do not call” law.

Discussion Questions:

How does data mining work?

Data mining companies use statistics, artificial intelligence, to extract information from large data sets. Data mining, in the consumer context, is used to gather information about customers from multiple sources and create a profile about the customer based on this information. The profile is then sold to advertisers to help them create a more customized, targeted message to the consumer.

What are some of the things that data mining can learn about you?

In addition to basic demographics, like age, gender, race, education, and income, data mining can learn about your recent purchases, your preferences, how you spend your disposable income, how you spend your leisure time, what magazines and books you read, movies you watch, etc.
What can retailers do with this information?

Retailers can use this information to develop more targeted advertisements and product offerings for customers. This information helps retailers better understand the needs of their target market.

From the consumers’ perspective, what are the advantages and disadvantages of data mined information?

From the consumers’ perspective, the advantages are that the retailer is sending them a more targeted message, and their online experience is no longer cluttered with banners and pop-up ads. In addition, consumers’ may appreciate the frequent interaction with the retailer, which might increase brand loyalty.

The disadvantages of data mining is that it reduces consumers’ perceptions of privacy. Furthermore, as evidenced in the article, sometimes the data mining companies develop an erroneous profile on a customer based on the data. For example, the author bought $180 worth of lingerie for his wife, and one company developed a profile for him that suggested he was an 18-44 year old female.

Should data mining be regulated? If so, how far should they go? If not, why not?

Ask students their thoughts on data mining regulation. Many argue that currently, there are no standards or codes of conduct to safeguard customer privacy. What are the implications for too much regulation versus not enough? Would students feel safer knowing that there were limits to what data miners could view?

Back to Top
Ruling Emphasizes Crowd Control by Retailers


Use with Chapter 16, “Managing the Store”

For many consumers, shopping on big sale days like Black Friday is exciting. Recently though, Black Friday crowds have led to numerous customer and employee injuries, and in some instances, fatalities.

The Occupational Safety and Health Administration (OSHA) fined Walmart $7,000 for its poor crowd control practices that led to a stampede on Thanksgiving weekend, killing one of Walmart’s employees. Rather than pay the $7,000 fine, Walmart has spent almost $2 million dollars fighting OSHA. Walmart claims that it does not want government micromanaging how retailers conduct their major sales events.

With the rapid increase of injuries and fatalities at retailers, OSHA is redesigning the guidelines for crowd control. Under these guidelines, retailers would have to move barricades away from the store’s entrance and also have breaks or turns in the barricades to prevent customers from pushing in the rear. Additionally, employees should be assigned to specific spots in the store. These guidelines also ask retailers to make local police, fire departments, and hospitals aware of any event that might draw a large crowd.

One of the biggest changes is to the first-come, first-serve way that retailers currently conduct sales. Under OSHA’s new guidelines, retailers are asked to use an Internet lottery for hot ticket items, to use wristbands for those customers that arrive early, and to distribute information to customers telling them where merchandise is located within a store.

If the fine against Walmart stands, it will have major implications over government’s influence in retailer’s marketing campaigns and sales. Retailers say that there are gray areas for what is a “big event” or “promotion.” In addition, this could also open up retailers to additional liabilities that might stem from customer’s actions that the retailer has no control over.

Discussion Questions:

What is the battle that Walmart is waging against OSHA?

Walmart is fighting to not pay a $7,000 fine that OSHA charged Walmart for poor crowd control practices that resulted in an employee’s death during Thanksgiving weekend. Walmart has paid over $2 million dollars to fight the claim stating that it does not want the federal government interfering with how Walmart handles its sales.

What are the arguments presented by both sides?

Retailers do not want federal agencies involved in conducting sales. Retailers also think that these regulations would cause retailers to be responsible for additional liabilities that might be a result of customer actions versus something that the retailer could control. OSHA, on the other hand, is trying to minimize the amount of risk and hazard for customers.
and employees. OSHA believes that feasible means exist to reduce these risks, and that the guidelines that it is suggesting are reasonable for retailers to accommodate.

Who do you think should win the war?

Ask students if they have shopped on Black Friday and what their experiences are? Did they feel safe during this experience? Do they feel that the government should get involved and regulate how retailers design their sales and promotional events?

Back to Top