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

- **Frontier of Frugality** (Chapter 5)
- **Workforce Optimization and Unintended Consequences** (Chapter 16)
- **Why Facebook’s New ‘Timeline’ Could Change Retail Forever** (Chapter 15)
- **Attention, Shoppers: Go With Your Gut** (Chapters 4 and 13)
- **More supermarkets bagging do-it-yourself checkout lanes in the name of customer service** (Chapter 16)
- **Starbucks Plugs Up Electricity For Some** (Chapter 17)
- **Alcohol Isn’t Worth the Trouble for Some Chain Restaurants** (Chapters 5 and 13)
- **Macy’s Moves to Item-Level Tracking Using RFID** (Chapters 10 and 13)
- **Shoppers forgoing loyalty for deals** (Chapters 14 and 15)
- **Tablets: Ultimate Buying Machines** (Chapters 3 and 4)
- **The Declining Need for and Escalating Value of Human Service** (Chapter 18)
- **Retailers Flex Creative Marketing Muscles** (Chapters 11 and 15)

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

Microsoft vision of the future of retailing
  - Use with chapters 1 and 3
  - http://www.youtube.com/watch?v=E_fIAE78tt0

Retail Apps
  - Use with chapters 3 and 15
  - http://www.youtube.com/watch?v=W5tC0w_g3yM

Google shopper
  - http://www.youtube.com/watch?v=xjO1nuGB1vk&feature=related

QR codes
  - http://www.youtube.com/watch?v=G_ry2vNeY0w&feature=relmfu

Top Ten Retailers for Customer Service
  - Use with chapter 18
  - http://www.youtube.com/watch?v=cO2oBu2Oe8U

Additional Material for Teaching Retail Classes

A 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@warrington.ufl.edu or mlevy@babson.edu
The economy is not the only thing that is fragile right now, so is the consumer. Economists say that consumers are worried about unemployment, decreasing home values, and increasing food and gas prices. Consumers have almost adopted a cautious attitude towards spending and are only buying basic needs, avoiding higher priced labels, clipping coupons and tracking sales. Consumers are also consolidating shopping trips to reduce gas costs and spending a lot less on discretionary items. Retailers are noticing an increase in “paycheck-cycle shopping” where consumers are stocking up on goods around payday and only buying smaller purchases as they get short on money towards the end of the month.

In the early spring, the stock market was rising, consumer spending was rising, and retailers were cautiously optimistic about placing orders for the holiday 2011 season. However, slow back-to-school sales are an indicator that holiday spending is not going to meet retailer expectations. Retailers are now realizing that consumer frugality is not a trend, it is a reality. Many retailers are trying to prolong passing on cost increases from raw materials to consumers. Some brands, like Coca-Cola, have added new packages in smaller sizes to offer consumers a lower price point option. Many retailers, like Target, are offering proprietary credit cards with cash back incentives. Target is also reformatting the majority of its stores so that they are more of a one-stop destination for consumers. Walmart, responding to consumer demands, reintroduced its layaway program on popular holiday categories like toys, electronics, and jewelry.

Of course, retailers will also continue to rely on discounts and promotions to move inventory, especially during the holiday season.

Discussion Questions:

Why are consumers becoming more frugal?

Many retailers were hoping that the frugality of the recession would end as the economy slowly healed. However, retailers are realizing that consumer frugality is not a quickly passing fad. Consumers are cutting coupons, tracking sales, and reducing their expenditures on discretionary items because they are worried about high unemployment and increases in food and gas prices.

What are retailers doing about it?

Retailers, like Walmart, are reinstating the layaway plan to ease financial burdens. Retailers are trying to streamline their inventory to avoid being stuck with excess inventory. Retailers and brands are also developing new product offerings to satisfy customer needs, but at a lower price point.
Workforce Optimization and Unintended Consequences

_Nikki Baird, Retail Wire, September 22, 2011_

Use with Chapter 16, “Managing the Store”

Workforce management technology (WFM) has, for many retailers, reduced the burden and hassle of scheduling full and part-time staff. WFM allows retailers to track employee availability and ideal hours, while also tracking seniority and experience. WFM can track performance, automate “shift swapping,” and facilitate the search for emergency replacements.

However, a recent research study found that workforce optimization can sometimes cause more problems than solutions. Many WFM tools schedule in 15-minute increments and provide employees with extremely variable schedules. For those retail employees trying to schedule child care, the schedule variability leads to tremendous uncertainty because the same child care options cannot be used on a day-to-day basis. Research found that flexible schedules increase absenteeism and turnover. With less reliance on hours caused by “flexible scheduling,” many employees work two jobs, while also struggling with family constraints. To overcome that absenteeism, many retailers end up employing more people than what they have adequate hours for in order to have a viable pool to accommodate turnover and no-shows. This increases uncertainty for the employees as well as labor costs for the retailers.

Other problems with WFM may include shift cancellations. Store managers can use WFM to track budgeting issues, and may make midweek cuts to weekend staff in order to stay within budget. For employees expecting a certain number of hours per week, this last minute cut can be problematic. As retailers continue to adopt WFM technology, it is important that they understand how much labor flexibility really costs them.

Discussion Question:

What are the advantages and disadvantages of WFM (Workforce Management) technology from the perspectives of the retailer and its employees?

_The advantages of WFM include the ability to track employee availability, performance, seniority, and experience. WFM can also facilitate shift swapping. In addition, WFM can track an employee’s ideal schedule._

_The disadvantages of WFM include employee uncertainty, an increase in shift cancellations, and an increase in absenteeism and turnover. Retailers may also have to maintain a larger employee pool than what they can accommodate in order to fill spots caused by absenteeism and turnover, which may actually lead to increased labor costs._

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Why Facebook’s New ‘Timeline’ Could Change Retail Forever

*Doug Stephens, Retail Wire, October 5, 2011*

Use with Chapter 15, “Retail Communication Mix”

Every time Facebook changes its format, or makes an update, many consumers resist the change because they “like Facebook how it is now!” Retailers, though, love when Facebook makes updates as these updates often prove to be data bonanzas for understanding consumer trends. Many critics of Facebook claim that Facebook’s customers aren’t the users any more, but rather the brands to which Facebook sells data or provides advertising incentives.

Recently, Facebook introduced the new timeline feature, which looks like a personal history, scrapbook, autobiography, and personal news center, all rolled into one. Fast Company described timeline as a “scrapbook on steroids.” A user’s life including events attended, relationship statuses, and recent posts will be chronologically displayed, along with photos and videos creating a live time capsule for every user. In addition, timelines will allow users to share digital content like movies, books, and music. If a user notices in a friend’s timeline that the friend is listening to a particular band, the timeline will have functionality that will allow the user to download the same song instantly.

This opens up a whole new avenue for reaching consumers. If users can download music and movies instantly from a friend’s timeline, why not gym memberships, vacations, spa gift certificates, or other services? The opportunities for timeline could be very impactful as a social marketplace may be the new norm for many consumers. Retailers will have to find customers on this new landscape rather than having customers come to them.

Discussion Questions:

**Does Facebook’s timeline have the potential to change retail forever?**

*Ask students whether or not they think that timeline will change retail forever. Timeline will allow users real-time access to what their friends, family, and colleagues are doing. In addition, timeline may allow users to purchase the same products that their friends, families and colleagues have purchased. Retailers will have to develop new ways to interact with customers using this evolved social marketplace. This could be an opportunity for innovative retailers and a new way to engage with customers.*

**How would you rate its revenue potential?**

*Facebook has over 700,000,000 users. The timeline revenue potential is incredible. There are tremendous revenue implications for Facebook as well as retailers and national brands.*
Attention, Shoppers: Go With Your Gut

Jonah Lehrer, Wall Street Journal, October 1, 2011

Use with Chapter 4, “Customer Buying Behavior” and Chapter 13, “Buying Merchandise”

Is bigger really better? Today consumers can go to a supermarket that is 20% bigger than it was in 1994, with 300 types of breakfast cereal, 50 different types of bottled water, and even multiple options of organic eggs. For consumers, this abundance of choices may seem like a benefit, but our decision-making skills have not adapted to the overabundance of today’s marketplace.

Consumers want to assess a product carefully to find the best one that fits our preferences, but do we really have time or the capacity to examine hundreds of breakfast cereals? Scientists have long believed that our unconscious is better suited to digest all this data without getting overwhelmed. Researchers conducted a study to test whether reason or gut instinct guided today’s consumer. Through experimental design, researchers found that with a minimal amount of data, a “detail focused” consumer was 20% more likely to choose the best option. However, when presented with a complex choice, consumers listening to their feelings identified the best option almost 70% of the time. The research found that when presented with an abundance of information, the unconscious is better at picking automobiles, apartments, and vacation spots.

We know more now than we ever knew before, but it’s important to trust our emotions, especially when it comes to making complex decisions.

Discussion Questions:

Does more assortment mean a better assortment? Why or why not?

For some consumers, more assortment means that there are more options for products to best fit their needs. However, too much assortment can mean information overload, and consumers may shut down, or rely solely on emotion to drive decision making. Ask students if they feel that there are certain product categories with too much assortment.

How do consumers choose a particular item when given a choice?

The study outlined in this article suggests that with a nominal amount of information, customers will choose the best option based on details. However, with decisions involving increased information and complexities, consumers will choose an item based on emotion, or their unconscious feelings.
More supermarkets bagging do-it-yourself checkout lanes in the name of customer service

Stephanie Reitz, Associated Press, September 26, 2011

Chapter 16, “Managing the Store”

Self-service checkout lanes were introduced about ten years ago. Supermarkets were one of the biggest retail categories to adopt this “revolutionary” technology. With self-service lanes, consumers scan their own items, bag their purchases, and pay for their purchases with a variety of tender types. Retailers believed that adopting this technology would be a time saving for customers, and also a labor saving for retailers hoping to reduce the number of cashier shifts. Many consumers preferred this option because it allows them to “get in and get out” quickly at the grocery store. However, many consumers are avoiding the self-service machine because it is potentially inconvenient. There is always potential that the technology will break. In addition, self-service lines often increase the problems that they were designed to avoid. Many retailers found that self-service lines caused delays because of customer confusion over coupons, payments, accidental and intentional theft, and the erroneous identification of baked goods and produce. Furthermore, retailers found that customer loyalty benefits from the interactive experience between the cashier and the customer during the checkout process. Many retailers will continue to offer self-service lanes as an option, but will reduce the total number and increase the number of cashier operated lanes. Those retailers that continue with self-service lanes will have to update the technology soon as the checkout computers will need to be able to read emerging types of bar codes.

Discussion Questions:

What is the trend in self-service checkout lanes?

Many retailers, especially supermarkets, are reducing or eliminating the amount of self-service checkout lanes in stores. Consumer adoption has been low and consumers prefer the interaction with the cashier. Self-service lanes were meant to decrease delays in the checkout line, but often cause an increase in delays because of confusion, accidental theft, and mis-ringing products.

What are the advantages and disadvantages of self-service checkout from the point of view of the consumers and the retailers?

The advantages of self-service checkout lanes are that they are convenient for consumers and potentially reduce labor costs for retailers. The disadvantages of self-service checkout lanes are that many consumers do not feel comfortable using them, they can cause delays, and problems with inventory management.

What do you think will be the future of self-service checkout?
The article indicates that most supermarkets are trending away from self-checkout lanes. However, some retailers like Home Depot will continue to offer self-service checkout lanes. Ask students whether or not they prefer a self-checkout lane.

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Starbucks Plugs Up Electricity For Some

Tom Ryan, Retail Wire, September 21, 2011

Use with Chapter 17, “Managing the Store”

Starbucks has a “Third Place” philosophy where they want to be considered the “Third Place” that consumers hang out after home and work. They offer comfortable environments, free refills for cardholders, and free Wi-Fi to facilitate customer comfort. Many customers go to Starbucks to use these amenities, charge their smartphones in between appointments, catch up on their emails, or do school work. A recent survey indicates that many students are more prone to study at a Starbucks than go to the library.

However, some customers go to Starbucks solely to enjoy their coffee and pastries. These customers don’t appreciate the “laptop loafers” who hog all the space. Starbucks has responded to this demographic by covering some of its electrical outlets at high volume Starbucks stores to discourage laptop users from overextending their stay. Some customers are rejoicing at this decision as it frees up more tables; however, other customers are frustrated with Starbucks and feel that the coffee behemoth is alienating some of its more loyal customers. An executive at Starbucks said, “you can’t please everyone,” and indicated that the decision to cover the outlets is up to the individual store.

Panera Bread, a competitor of Starbucks, faces a similar problem and has restricted the duration of free Wi-Fi to 30 or 60 minute intervals during peak hours.

Discussion Questions:

Why is Starbucks plugging up electricity outlets in some high volume store?

*Starbucks is plugging up electricity outlets to discourage prolonged laptop use. Space is limited at Starbucks locations, and many prime seats are often taken by consumers on their laptops who are hunkered down for the day. This leaves consumers with no place to sit and enjoy their coffee and/or pastries.*

Do you think this is a good idea? Why or why not?

*Ask students if they agree or disagree with Starbucks’ decision. The class will probably be divided. Some consumers use Starbucks as a work or library station, while others appreciate the opportunity to just sit and enjoy their coffee.*

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Alcohol Isn’t Worth the Trouble for Some Chain Restaurants

Stephanie Clifford, New York Times, September 26, 2011

Use with Chapter 5, “Retail Market Strategy” and Chapter 13, “Buying Merchandise”

Many quick service restaurants that focus on fast and cheap daytime business are investigating alcohol sales as a way to attract new customers and boost profits. The economic recession hit many restaurants as consumers began to stay home more as a cost-saving measure. Alcoholic beverages are highly profitable and seem like a beacon of hope to cash-strapped restaurants. For many restaurants alcohol is one of the highest-margin items on the menu.

Several years ago, Burger King introduced the concept of the Whopper Bar. This is a higher end Burger King where customers can get deluxe ingredients added to their burgers. Burger King is considering offering alcohol sales at all Whopper Bar locations. Sonic, a drive-thru chain, added beer and wine to its menu at several Florida. Starbucks is currently testing wine and beer sales in several stores in the Pacific Northwest.

Many quick service restaurants are finding that alcohol sales may not be the savior that they once anticipated. First, fast-food restaurants are not set up to be bars. Most people are not used to quick-service restaurants serving beer, wine, or any other alcoholic beverages. Second, customers in search of a value meal are not necessarily looking to pair a cabernet with their burger. Finally, there are a lot of structural problems with offering alcohol sales. Restaurants are burdened with training staff in a high turnover industry, obtaining permits, finding a dedicated area for alcohol sales, and adhering to federal, state, and city regulations. In addition, many restaurants have to hire security guards to discourage underage drinkers.

Discussion Questions:

What fast-food restaurants are experimenting with selling beer and wine?

Fast food restaurants like Burger King, Starbucks, and Sonic are all experimenting with alcohol sales. Burger King is selling alcohol at its Whopper Bars. Starbucks is offering wine at some of its Pacific Northwest locations. Sonic is selling beer and wine at some of its drive-in locations.

What are the advantages and disadvantages of selling beer and wine at fast food restaurants?

Fast food restaurants might sell beer and wine because of the high profit margins and the potential to attract new customers. The disadvantages of selling beer and wine include navigating permits and regulations, training staff, and monitoring underage drinking.

Would you buy beer or wine at a fast food restaurant? Why or why not?

Ask students whether or not they think beer and wine are appropriate at a fast food restaurant. Would they buy a beer with their value meal?
Macy’s Moves to Item-Level Tracking Using RFID

George Anderson, Retail Wire, September 29, 2011

Use with Chapter 10, “Information Systems and Supply Chain Management” and Chapter 13, “Buying Merchandise”

The goal of every retailer is to have the right product in the right place at the right time. To achieve this goal, retailers like Macy’s and Bloomingdale’s are rolling out item-level RFID technology to every store by the end of 2012. RFID (radio frequency identification) uses radio waves to send information to a reader for the purpose of identifying and tracking objects and inventory. Many retailers are currently using RFID technology on pallets and crates, but few have transitioned to item-level RFID technology.

Macy’s is transitioning to item-level RFID tagging to reduce inventory costs. Macy’s will focus the initial RFID roll out on replenishment goods that are frequently restocked. Replenishment items account for about 30% of Macy’s and Bloomingdale’s sales. Macy’s expects to achieve at least a 97% accuracy rate on inventory using item-level RFID chips. One of the major hurdles that retailers face in RFID initiatives is vendor support. Manufacturers are often responsible for attaching the RFID chips to merchandise before it is shipped to a retailer. However, Macy’s believes that most of its vendors are supportive of this initiative and that is a win-win-win situation for all stakeholders.

Discussion Questions:

What is meant by item-level RFID?

*Item-level RFID means using RFID technology on individual items rather than just boxes and pallets. This will allow Macy’s and Bloomingdale’s to track inventory at the individual item level.*

Why is Macy’s rolling-out item level RFID?

*Macy’s is focusing this initiative on replenishment for frequently purchased items, in order to reduce inventory errors and streamline distribution. Macy’s believes that this level of RFID will give them over 97% accuracy with their inventory.*
Shoppers forgoing loyalty for deals

Ashley Lutz, Bloomberg News, October 3, 2011

Use with Chapter 14, “Retail Pricing Strategy” and Chapter 15, “Retail Communications Mix”

Consumer packaged goods companies and retailers hand out more coupons during a recession than during economic growth. In 2010, a record $332 billion in coupons were issued, according to a study by a marketing services firm. In the first half of 2011, consumers redeemed 1.75 billion coupons for savings of $2 billion. Coupon aggregations sites like shopathome.com and Groupon are making the process of coupon cutting even easier, spawning a whole new generation of coupon cutters and bargain hunters.

Many retailers fear the “Extreme Couponer” who scours blogs, websites, and promotional materials for the best deal. The TLC show, “Extreme Couponing” highlights ways in which every day consumers can save the most money. This new extreme is eroding brand and retailer loyalty; consumers now shop where the deals are and may not frequent the same retailers for repeat purchases. Retailers are worried that they are attracting a one-time customer who may never shop at their stores again.

Kroger is developing initiatives to prevent the extreme bargain-hunting customers from frequenting the competition. Kroger offers coupons as part of its existing loyalty program. One of the perks of the Kroger’s Plus Card includes $1 off a gallon of gas. CVS Caremark also requires customers to spend cash back rewards at a CVS location.

Discussion Questions:

What is the new trend in couponing?

Extreme couponing is a new trend in couponing. Consumers are scouring blogs, websites, and watching television shows to find coupon deals. There is little brand or retailer loyalty as consumers will frequent a variety of retailers to earn the best deals.

How is it affecting retailers’ pricing and promotion strategies?

Retailers have to incorporate coupon and discount strategies in their pricing decisions. Coupons are a deciding factor in the consumer decision-making process, and a retailer’s pricing strategy has to account for that without eroding too much margin. Retailers have to promote their coupon and discount offerings, while still trying to build brand loyalty. Kroger is offering coupons as part of its loyalty program in order to retain its bargain savvy customers.

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Tablets: Ultimate Buying Machines

Dana Mattioli, Wall Street Journal, September 28, 2011

Use with Chapter 3, “Multichannel Retailing,” and Chapter 4, “Customer Buying Behavior”

Tablets only account for around 3% of e-commerce transactions, but retailers are beginning to notice the tablet market as a critical tool for capturing future online sales. Consumers who make purchases using their tablets (e.g. iPad and Amazon’s Kindle Fire) are more likely to buy than other online shoppers. Their conversion rate (orders divided by total visits) is higher than consumers purchasing from PC’s. Furthermore, consumers making purchases from tablets are more likely to place bigger orders, in some cases 10% to 20% higher than shoppers using PC’s or smartphones.

Retailers like Macy’s, Abercrombie & Fitch, and Gap Inc. claim that their highest conversion rates are from shoppers using tablets. Retailers are trying to tweak their websites and mobile commerce to better accommodate tablet users. QVC promotes tablet usage throughout its programming and social media sites. Macy’s made its websites compatible with tablets and devices that don’t have Flash. Sephora has a free tablet app, but also uses the same website for tablets as it does for PCs. Sephora believes that revenue generated from tablet sales is similar to that of smartphones. TheFind has a tablet app that aggregates catalogs from national chains like Nordstrom, Crate & Barrel, Neiman Marcus, and Urban Outfitters.

Discussion Question:

How and why are retailers benefitting from the growth of tablets?

Tablets now account for 3% of e-commerce sales. However, the conversion rate for tablet purchases is higher and often the average ticket price from tablet purchases is higher. Retailers are updating their website and mobile applications to attract tablet shoppers as this market continues to grow.
The Declining Need for and Escalating Value of Human Service

Doug Stephens, Retail Prophet, September 26, 2011

Use with Chapter 18, “Customer Service”

Technology reduces the amount of human interactions in a customer service exchange. Many customers appreciate the do-it-yourself component of customer self-service. Consumers can go to kiosks, web pages, frequently asked questions sites, or chat rooms for solutions to most mundane problems. Technology has automated the many routine sales tasks; however, technology cannot solve the most advanced customer service problems or provide empathy to those consumers in the midst of a service crisis.

The need for human interaction to address customer service issues is declining. Yet when we do need a human for advanced problem solving, our expectations of that person are exponentially higher. At this stage, customers have already attempted all the do-it-yourself options and are in need of expert assistance. Because of the increased expectations, opportunities for service failures are increased.

Zappos.com handles about 75% of its customer service transactions through automated technology. However, Zappos.com prides itself on hiring and training the best employees to handle customer service. It is because the 25% of calls that have to go to a human respondent are the really powerful customer service interactions that only a human can decipher. It is because of its ability to effectively navigate this 25% that Zappos.com is able to build brand loyalty and continuously be regarded as a leader in customer service.

Discussion Question:

Do you think customer services is getting better or worse? Justify your answer.

Ask students whether they think that customer service is getting better or worse. Do they find that automated systems facilitate customer service, or would they rather interact with a person? Discuss recent positive and negative customer service experiences and ask students to identify the differences.

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Grocers are using social media to attract customers. Wegmans Food Markets in Rochester, NY lets customers keep up with produce deliveries by following Wegmans on Twitter. Wegmans sends updates on the steady deliveries of fruits and vegetables into its stores. For customers interested in the freshest produce, this method provides the most up-to-date information. In addition, Wegmans also tweets about grower details, farmer information, and available stock. Wegmans also uses social media to answer customer product questions. Recently, Wegmans used Twitter to explain that a particular type of strawberry would not be available because of an outbreak of E. coli.

Similarly, PCC Natural Markets in Seattle has been engaging customers in social media dialogue about local products. PCC hosted the “Taste PCC: A Local Food Celebration” where shoppers could interact with local growers as well as sample their products. PCC also hosted the “Deli Throw Down,” a creative take on an Iron Chef challenge, where deli cooks had to create a new classic in 45 minutes. Word-of-mouth for this event spread through Facebook and Twitter.

Discussion Questions:

How are grocery retailers using social media to bring customers into the store and strengthen loyal relationships?

Grocery retailers are using social media to interact with the customers and create a dialogue. Grocery retailers are trying to connect with customers in real-time, by providing them useful information, like new deliveries of produce and vegetables or special events within the stores.

Choose a retailer and explain how you adopt the basic social media strategy described in this article to it?

Ask students to consider a local retailer. What kinds of information would this retailer decide to post on Twitter and Facebook to communicate with customers and drive customer loyalty?