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

- **Deal Burnout: Too Many Discounts?** (Chapters 5 and 14)
- **Five Myths About Shoplifting** (Chapter 16)
- **Nordstrom in New York to Use an Alias** (Chapters 5 and 7)
- **Target hopes exclusive designer deals boost sales** (Chapter 13)
- **A Season (or 13) for Shopping** (Chapters 13)
- **India Moves to Open Up to Foreign Retailers** (Chapter 5)
- **Why Karl Lagerfeld’s Collection for Macy’s Is the Retailer’s Ticket to Profits** (Chapter 13)
- **Why iPads Are A Retail Game Changer** (Chapter 15)
- **Department Stores, M-Commerce Leading the Social Media Way** (Chapter 15)
- **Images key in shopping** (Chapter 4)

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Teaching Tips

Short Videos Available on the Web

Abercrombie
Walmart’s new video service is already very successful.
- Use with Chapter 5, “Retail Market Strategy.”
- 4:22 minutes
- http://online.wsj.com/video/abercrombie-frets-over-brand-dilution-uation/A085BAB6-E5ED-4A68-BBBC-09B090CB7454.html

Amazon
Amazon redesigns its ecommerce site to focus on its digital products.
- 3:51 minutes
- http://online.wsj.com/video/amazon-tries-on-new-web-design/54CA69F5-BCCA-4D99-915C-91A1438EB76F.html

Home Depot Online
Home Depot is dedicated to its multichannel strategy.
- 3:08 minutes
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
Deal Burnout: Too Many Discounts?

_Seth Fiegerman, The Street, August 8, 2011_

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

During and after the recession, many consumers became more savvy and conscientious about bargain shopping and searching for deals. Innovative entrepreneurs like Groupon and LivingSocial, developed business plans to satisfy the consumer’s seemingly insatiable thirst for a deal. These websites deliver daily emails to consumers that are tailored based on consumers’ preferences, shopping habits, and locations. Millions of subscribers have signed up for varying deal sites and enjoy significant discounts and exposure to new products and services.

The initial success of the online deal website had many investors and businesses clamoring to participate; however, with consumers receiving an average of 10 deal related emails a day, many of these discount programs run the risk of oversaturation. Consumers are now beginning to experience a type of bargain burnout and the discounts don’t seem as appealing any more.

Marketers have often used buzzwords like “for a limited time” and “significant discount” to encourage immediate spending and build a sense of urgency. Yet, many consumers are no longer feeling this sense of urgency when so many competing deal sites are offering similar “significant discounts” on “limited time” merchandise. In addition, consumers have become somewhat inoculated to “bargains.” What consumers considered a bargain before the recession, no longer has the same appeal. Consumer expectations of what constitutes a good deal have changed rapidly over the past several years.

In order to combat this consumer complacency about bargains, researchers suggest that retailers become more random with their price promotions and lose some of the predictability. With so many retailers doing the same things and participating in the same daily deal sites, consumers are seeking retailers who will do something different.

**Discussion Questions:**

**How do Groupon and other online discount websites work?**

_Groupon and other online daily discount sites use customization and localization. These sites work with local businesses in a subscriber’s area to offer daily deals on products and services. These deals are offered at a large discount and consumers have a limited amount of time to purchase the deal. The deals are delivered electronically. Consumers receive the deals when they subscribe to the online deal service._

**Do you think Groupon and similar deal sites have long-term staying power? Defend your answer.**

_Ask students to discuss the benefits and drawbacks of daily deal sites. Do they agree or disagree with the article’s claim that consumers are becoming complacent about bargains._

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Five Myths About Shoplifting

Rachel Shteir, *The Washington Post, August, 2, 2011*

**Use with Chapter 16, “Managing the Store”**

In 2010, shoplifting cost retailers $12.1 billion dollars in lost sales and inventory, according to the National Retail Security Survey. During that same time frame, retailers spent $26.8 billion to stop shoplifters. Both shrinkage and loss prevention measures continue to increase annually. In order to understand what drives shoplifters, retailers need to understand some of the misconceptions about the “five-finger discount.”

**Myth 1: Shoplifting is a recent phenomenon that began with the introduction of the shopping mall.**

Shoplifting has been around since at least the 16th century when a playwright wrote a pamphlet educating potential thieves about the tricks of shoplifting. One of his suggestions was that shoplifters dress as civil gentlemen in order to avoid unwanted attention.

**Myth 2: People only shoplift when they really need something.**

People don’t shoplift what they want significantly more than they shoplift what they need. Research indicates that shoplifting is more common among highly educated and affluent people. Studies done by the National Retail Federation show that the most commonly stolen items are not food and necessities, but items like: chewing gum, Advil, the weight loss drug Alli, Cover Girl cosmetics, teeth whitening strips, and Dyson vacuums.

**Myth 3: Most shoplifters are women and teenagers.**

Lindsay Lohan and Winona Ryder caused a media frenzy when they were both caught shoplifting, which further perpetuated the female shoplifter stereotype. In the middle part of the 20th century, school districts developed programs to educate parents about teenage shoplifting. However, current research shows that males outnumber females 3 to 1 for shoplifting. Furthermore, the most common age group for shoplifting is not 15-25, but rather 35-54.

**Myth 4: Stores can stop shoplifters.**

As retailers invest more in loss prevention strategies and technologies, shoplifters invest more in developing new techniques to beat the system. Shoplifters will continue to innovate to find new ways to keep stealing. Whether it is using booster bags to scam the sensor system, or developing a highly involved theft ring, shoplifters will continue to plague retailers’ inventory and margin strategies.

**Myth 5: Shoplifters can always stop themselves.**

Physicians today consider kleptomania an impulse-control disease or addiction, much like alcoholism or ADHD. A physician who focuses on kleptomania says that it can impact six in 1,000 people. Anxiety-reducing pharmaceuticals have little impact on reducing activity among shoplifters.
Discussion Questions:

What are the five myths of shoplifting?

Most people think that shoplifting began with the development of shopping malls. Many consumers also think that people who shoplift are primarily women and teenagers that are shoplifting things that they need for survival rather than things that they want out of greed. Another myth is that retailers can control shoplifting by increasing loss prevention or adding additional security technologies. Finally, contrary to popular belief, shoplifting is a disease and many shoplifters have a hard time stopping themselves.

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Nordstrom in New York to Use an Alias

Stephanie Clifford, New York Times, August 15, 2011

Use with chapter 5, “Retail Market Strategy,” and Chapter 7, “Retail Locations”

For many retailers, committing to the competitive New York City retailing market can be overwhelming, even to international retail chains like Nordstrom. Nordstrom has been trying to figure out the New York market for years before committing to opening a full-fledged department store. Nordstrom is now dipping its toe in the proverbial water, but not with the Nordstrom brand.

Nordstrom is opening a store called Treasure&Bond. This store will be located in SoHo and will have very little in common with traditional Nordstrom chains. Not only will Treasure&Bond not include the Nordstrom name, the feel of the store will be completely different. The store will have an unfinished air about it with wooden shipping crates and rolling tables serving as storage and display pieces. The merchandise assortment will appeal to a different customer than Nordstrom’s traditional customer. Clothes and housewares will be funkier in nature, and will be an experiment in new materials and fabrics. In addition, Treasure&Bond will be completely non-profit, donating all of their proceeds after operating expenses to local New York charities.

Executives at Nordstrom say that they are trying this format so that they can learn the New York market, react quickly to changes in the market, and build goodwill with consumers in the market. However, some analysts argue that this is an even riskier strategy than opening a traditional Nordstrom store. Nordstrom considers Treasure&Bond an incubator for ideas about NYC business. However, with the brand, the merchandise, and the décor of Treasure&Bond being so different, analysts wonder if the lessons learned from the adventure will really apply to Nordstrom.

Discussion Questions:

Describe Nordstrom’s new store in Manhattan.

Nordstrom is opening a new store in Manhattan called Treasure&Bond. This store is not a pop-up store or temporary store. It will carry a different assortment and have a different vibe from traditional Nordstrom stores. The store will also be non-profit and will donate all proceeds to local NYC charities.

What makes this opening unusual for Nordstrom’s, or for any retailer for that matter?

Nordstrom is opening up a store with a different name and format than its traditional stores. This is unusual for a retailer as most stores are opened to build additional brand loyalty and awareness. Nordstrom is using this as a test store, rather than as a way to capture market share in the New York market.

What is your assessment of their strategy with regard to this new store?

Ask students whether or not they think that this is a good idea for Nordstrom. How much information can Nordstrom gain from opening a store that is different from its traditional retail format?
Target hopes exclusive designer deals boost sales

Jessica Wohl, Reuters, August 2, 2011

Use with Chapter 13, “Buying Merchandise”

Apparel and accessories account for 20% of Target’s annual sales last year. Target differentiates itself from other big box and discount retailers by offering designer named products and lower price points. Target has created a niche for itself by partnering with famous designers like Michael Graves and Isaac Mizrahi to develop fashion forward home goods and apparel at moderate prices.

As Target prepares for the 2011 holiday season, it is developing more exclusive relationships with designers to lure shoppers into the store. These partnerships will run for a limited time to create a feeling of exclusivity and urgency. For the holiday season, Target is partnering with Gwen Stefani to roll out Harajuku Mini kids’ clothing that will only be available at the store for a year. Target will also launch a line of hats from Albertus Swanepoel and a jewelry line with Dana Kellin. All items will be moderately priced.

Many retailers have adopted this strategy of developing relationships with designers for exclusive brands. Kohl’s launched the Simply Vera line with Vera Wang last year; the Simply Vera line accounted for 50% of Kohl’s apparel sales last year. J.C. Penney has an exclusive line with Cindy Crawford. All of these retailers are struggling to maintain the lower prices of these lines as prices of raw materials continue to increase.

Retailers, like Target, develop these designer lines to offer customers merchandise that they might not typically be able to afford. In addition, when done correctly, designer partnerships can help retailers boost the bottom line.

Discussion Questions:

What are the advantages and disadvantages of Target/ Designer partnerships?

Some advantages are: 1) the ability to provide the customer with unique merchandise, 2) designer lines help build retailer loyalty, and 3) designer lines can boost profits.

Some disadvantages are: 1) as more retailers develop designer partnerships, Target’s products become less unique, and 2) as materials become more expensive, it is hard for retailers like Target to maintain lower prices on the designer merchandise.

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A Season (or 13) for Shopping

Sarah Nassauer, Wall Street Journal, August 17, 2011

Use with Chapter 13, “Buying Merchandise”

When most consumers think of seasons, they think of spring, summer, fall, and winter, or in certain parts of the country, just summer and winter. Many retailers, on the other hand, consider anywhere from 13 to 20 “shopping seasons” designed to drive traffic to their stores. The primary goal of these shopping seasons is to increase impulse purchases on seasonal items. According to market research firm, NPD group, impulse purchases fell from 29% of retail purchases in 2008, to 15% in 2010.

Retailers and manufacturers believe that consumers are willing to spend more during special seasons, especially if the purchases are for children. For a seasonal display to be effective, consumers have to believe that they are not making an obvious impulse purchase. Retailers spend a lot of time determining the best way to effectively merchandise seasonal items to capture the customer’s attention.

Retailers slice their calendars into different seasons based on their product offering. For example, Sam’s Club has about 20 seasons that include: Health and Wellness (January), Big Game (late January and Early February), Back to College/ Back to School (July and August), and Pink/Women’s Health (October). Supervalu, a grocery store retailer, has similar seasons, but also includes Allergy Season (March/April) and a separate Cough, Cold, and Flu Season (September/October).

Discussion Questions:

Why have retailers created these seasons?

Retailers have created a subset of seasons to drive impulse purchases from consumers. The goal is to have the products in front of the customers when the customers are thinking about them. Another goal of these sub-seasons is to provide guidance for display and visual presentations of merchandise.

What effect do these seasons have on inventory and supply chain management?

Retailers have to carefully manage inventory during sub-seasons. For example, a store like Supervalu will sell cough and allergy medicine year round. However, during its allergy season, Supervalu will showcase its allergy medications. Supervalu has to have enough merchandise to create an appropriate display, but doesn’t want to order too much merchandise and risk low inventory turnover or product expiration. Retailers will have to carefully plan for their inventory assortment to drive sales during these subseasons.
India Moves to Open Up to Foreign Retailers


Use with Chapter 5, “Retail Market Strategy”

India is a huge retail market that is estimated to generate annual sales of $450 billion; it’s no wonder that global retail giants like Walmart, Carrefour, and Tesco have been knocking on India’s retail door for years. Businesses and government officials, recognizing the potential market, have been pressuring India to open up its retail sector. Last year, President Obama called for India to remove caps on foreign investment in retail and insurance sectors.

India has feared opening up to foreign investment in retail because of the potential for extinction of neighborhood stores that may not be able to compete with global retailers. Under current regulations, only single-brand retailers like Marks & Spencer and Nike are allowed to bring in up to 51% foreign direct investment into India. Multibrand retailers like Walmart are only allowed to run wholesale operations that distribute to small businesses, not consumers.

In July, an Indian government panel approved a proposal that will allow direct international investment into India’s retail sector. Foreign investors have to invest at least $100 million to set up operations and stores can only be built in cities with populations greater than 1 million. The policy change means that international retailers may start selling to Indian shoppers through partnerships with Indian retailers. The hope is that the majority of investments from the international retailers will be used to develop back-end infrastructure like storage and refrigeration systems.

Discussion Questions:

How will recent changes in governmental regulations change the way retailing is done in India?

These recent changes will allow multibrand retailers to invest directly in India’s retail sector. Retailers will have to partner with local Indian retailers in order to sell directly to consumers. Previously, multibrand retailers were only allowed to sell to other businesses and have no direct contact with consumers.

How will these changes effect U.S.-based retailers interested in expanding operations to India?

Retailers like Walmart already have a presence in India, but through a wholesale system, not a direct to consumer outlet. These new regulations will allow Walmart, and other U.S. retailers, to partner with local retailers to reach customers. This is a huge opportunity for them to reach the Indian consumer.

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Why Karl Lagerfeld's Collection for Macy's Is the Retailer's Ticket to Profits

Lydia Dishman, Fortune.com, July 21, 2011

Use with Chapter 13, “Buying Merchandise”

Karl Lagerfeld is an internationally famous designer known for his work with luxury brands like Chanel and Fendi. Recently, Macy's announced a collaboration with Karl Lagerfeld designed to capture more share of the contemporary market. The Lagerfeld collection will have around 45 items in it that will bear the Lagerfeld look. These items will be rocker chic with an edge of sophistication. The most attractive component of the line is the moderate price point with items ranging between $50 to $170.00.

Macy’s, like most department stores, has been struggling over the past three years. The retailer has realigned its focus to try to capture more of the 18-30 year old customer who “buys above fast fashion, yet below high-end designer prices.” Macy’s has created pop-up stores in fashionable Manhattan areas, and has also developed in-store departments designed solely towards attracting the elusive twenty-something consumer. Because of this strategic focus, Macy’s has a 7.5% comp store increase in June of 2011. Macy’s hopes that this collaboration with Lagerfeld will solidify its place in the consumer’s mind as a go-to destination for designer, yet moderately priced, contemporary fashion.

Discussion Questions:

What are the advantages and disadvantages of a Lagerfeld/ Macy’s collaboration?

Some potential advantages for Macy’s might include increased brand awareness, attracting new customers, and increased consumer loyalty. Some potential disadvantages might include the dilution of the Lagerfeld brand name, or Macy’s alienating some of its current customers by offering more contemporary products. Also, if for some reason Lagerfeld becomes less popular or is involved in some type of negative publicity, the Macy’s brand will suffer because it is tied to Lagerfeld.

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Why iPads Are A Retail Game Changer

Christina Cheddar Berk, CNBC.COM, August 2, 2011

Use with Chapter 15, “Retail Communications Mix”

Many retailers cringe when they see a customer in the store with a smartphone in their hand because this often means that the customer is trying to find the same product at a discounted price elsewhere. Many retailers assume that customers with an iPad, or other tablet device, are doing the same thing. However, research suggests that retailers should not think of tablets as smartphones with larger screens. Rather, retailers should encourage customers to use tablets to engage more with their products.

Customers don’t use smartphones to leisurely browse products, but they can use tablets for browsing. Recently TheFind.com (a website that helps customers compare prices) launched an iPad and Android tablet app called Catalogue that replicates the feeling of looking at a traditional paper catalogue. The creators believe that this approach will create more of an experience of “discovery” and browsing rather than just a quick price comparison.

Surveys indicate that over 60% of tablet owners use their tablets to shop. Yet, not very many retailers have modified their mobile applications for tablets. It’s time retailers catch up to consumers.

Discussion Question:

How are iPads changing the way retailers communicate with its customers?

Retailers have an opportunity to develop more of an interactive relationship with consumers. Consumers often use smartphones to compare prices on merchandise. However, with tablets, retailers can engage the customers more and offer more insight about products rather than just price comparisons.

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Department Stores, M-Commerce Leading the Social Media Way

Rachel Strugatz, WWD.com, August 23, 2011

Use with Chapter 15, “Retail Communications Mix”

Department stores, long seen as retail dinosaurs, scored a big win in innovation according Luxury Lab, a think tank that studies retailers’ online competence. Luxury Lab ranks retailers on their Digital IQ’s. This ranking system is based on a 350-point data system based on digital competency, social media strategy, site interface, mobile commerce capabilities, digital marketing, and search engine optimization.

This year, Macy’s took the number-one spot in the survey. Other department stores in the top ten were Nordstrom and Bloomingdales. Neiman Marcus, Saks Incorporated, and Bergdorf Goodman all made the top twenty-five.

According to the founder of Luxury Labs, for retailers to be at the top of the pack, they have to make investments in social and mobile commerce. Results of the study also found that the average Digital IQ for department stores grew 14 points from 2010, making department stores second only to e-tailers. The study also found that over 67% of retailers have mobile sites, versus just 25% a year ago.

Discussion Questions:

What does it mean for department stores like Macy’s to have a high Digital IQ?

*Department stores have long been considered as laggards in innovation. For department stores to score highly on their Digital IQ’s means that they are making heavy investments in their online, social, and mobile presences. It also means that department stores are becoming more nimble in the competitive environment.*
Images key in shopping

_Hollie Shaw, Financial Post, August 19, 2011_

**Use with Chapter 4, “Consumer Buying Behavior”**

Critics have long attacked the fashion industry for using impossibly gorgeous and thin women to market its products. However, a new study conducted in Canada found that the same insecurities may surface when customers are in a retail store environment.

Researchers asked consumers to try on an item in their size. As part of the experiment, another customer with above average attractiveness was asked to try on a similar item. The subject would see the attractive person trying on the item, but not know that she was part of the experiment. The studies concluded that consumers with low body esteem were more likely to negatively evaluate a product after seeing the attractive woman wearing it. The study was replicated with several different versions and the conclusions were always the same.

Consumers are constantly comparing themselves to others. Consumers that feel vulnerable are much more sensitive to external cues, like other shoppers, and that can have a negative impact on their in-store experience. This has implications for some retailer’s strategies. Companies like Abercrombie & Fitch and American Apparel, which use their floor staff as if they were clothing models, might end up alienating some customers. Researchers suggest that retailers also use the results of this study to redesign changing rooms so that consumers can have more privacy and less exposure to someone who “might look way better in those jeans.”

**Discussion Questions:**

What are the retailer implications of this study?

*This study found that consumers with low self-esteem negatively evaluated products when they saw an attractive person try on the same product. This can impact consumers’ in-store experience and overall retail sales. This study also implies that retailers should change their dressing room layout so that consumers don’t interact as much with each other.*