Newsletter for Instructors

SPECIAL BACK TO SCHOOL ISSUE OF LEVY/WEITZ RETAILING MANAGEMENT NEWSLETTER

We have put together a special back to school issue with extra current articles listed in chapter order and articles from the last 6 month's newsletters for the first four chapters of the text. We hope you will use some of these articles to kick off another school year. (Go to Back to School Section)

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

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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

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/](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
In the seven years since Walmart announced its ambitious environmental sustainability program, the retail giant has been courting environmental watchdogs, appealing to consumers, and achieving some massive gains, even as it has fallen short on a few goals.

This year, it announced that approximately 80 percent of the waste produced through its U.S. operations gets recycled. It’s a big improvement, but it does not quite reach the 100 percent goal that the Walmart CEO issued in 2005. Unfortunately, the remaining 20 percent is the stuff that’s really difficult to find ways to recycle, such as bathroom waste or trash left in the parking lots of the retail stores.

Another of Walmart’s big environmental goals was to cut greenhouse gases by 20 percent; it has gotten to 12.74 percent. It asserted that it would try to double fuel efficiency of the trucks that transport its goods to stores; they improved by 69 percent. Finally, although Walmart had hoped to be completely powered by renewable energy, only 15 percent of its operations are supported by renewable energy at this point.

Despite these near misses, Walmart’s push to improve its sustainability has created a huge change in its image and reputation. Approximately twice as many U.S. consumers express positive opinions of Walmart compared to before the initiative started. Furthermore, Walmart’s efforts have eased its entry into new markets in Los Angeles and Chicago.

Although some environmental groups remain frustrated with the effects of Walmart’s low cost business model, others, such as the Environmental Defense Fund (EDF), praise it for taking some steps. When the EDF explained to Walmart that incinerating garbage was not really a form of zero waste, the retailer stopped burning trash. As one EDF representative noted when it comes to Walmart, “If you’re serious about tackling environmental challenges, you can’t afford not to talk to anybody of that size.”

Discussion Questions:

What has Walmart done to become more socially responsible?

Walmart’s social responsibility initiatives include cutting greenhouse gases, recycling more waste, and improving its fuel efficiency and reliance on renewable energy sources.

Do you believe it has done a good job in this regard? Can it do better?

Walmart has made notable steps in each of these areas, though it has not achieved its ambitious goals. Even the firm itself believes it can do better, according to the initiatives it set. But even the steps it has made have made a difference. In this case, something is always better than nothing.
Walgreens on Global Path, Buys Stake in Alliance Boots

George Anderson, Retail Wire, June 19, 2012

Use with Chapter 2, “Types of Retailers”

A recent $6.7 billion transaction gives Walgreens, the largest U.S. pharmacy chain (which also owns Duane Reade), 45 percent ownership of Alliance Boots, the largest European drugstore chain. It also gained the option to buy the rest over the course of the next three years. The merger will put more than 11,000 stores in 12 countries, supported by the biggest wholesale and distribution networks for pharmaceuticals ever created.

The plan for integrating the companies includes a three-year transition, “revenue synergies,” shared best practices, and a better position from which to extend product offerings around the world. According to the executive chair of Boots, “The fit is natural. Walgreens consumer profile in the U.S. is similar to Boots in the U.K. in many ways: a trusted and much-loved pharmacy brand with a strong heritage.”

Discussion Question:

What is the new relationship between Walgreens and Alliance Boots?

Walgreens has purchased nearly half the shares of Alliance Boots, with the option to obtain more shares in the future. In this merger, the companies will retain some independence but also work together to benefit from each partner’s capabilities.
Can Wal-Mart Think Small?


Use with Chapter 2, “Types of Retailers,” and Chapter 5, “Retail Market Strategy”

Walmart is best known for its massive supercenters carrying thousands of products in stores with huge footprints. But such stores simply do not fit in big cities, the places where Walmart still has room to grow. In response, it has opened a few Walmart Express stores, each around 15,000 square feet, in urban locations.

Although the size of the store has changed, it appears that Walmart’s approach has not. The merchandise selection and assortment in the Express stores is remarkably similar to that of Walmart Supercenters. According to some analysts, these offerings suggest that Walmart is unable to think outside the big box: “Wal-Mart can’t pull itself away from a supercenter mind-set. Just look at the shelves. It is just absurd to see a dozen kinds of jelly or peanut butter when a shopper just wants to get in and out of the store quickly.”

Furthermore, by continuing to offer supercenter-designed pricing in smaller, higher-cost spaces, Walmart’s profitability may be under pressure. A recent study found that the prices for several staple food items, such as corn flakes and peanut butter, were identical in local Walmart Express and Supercenter stores.

But Walmart is not alone in its efforts to shrink. Target plans to open more of its smaller format City stores in Los Angeles, Chicago, and Seattle. The three big dollar store chains also are expanding in the meantime, with their low cost formats.

In this sense, it may be that Walmart is not shrinking fast enough. It continues to add Supercenters, and the rollout of the Express format has been remarkably slow.

Discussion Questions:

What type of growth strategy is Walmart using with Walmart Express?

Walmart’s growth strategy most closely resembles a format development tactic, because it is offering a new retail format to basically the same target market.

What is Walmart doing right and what is it doing wrong with regard to Walmart Express?

Walmart is appealing to changing customer trends and attempting to reach customers in more convenient locations. However, it is not changing its assortment sufficiently in the Walmart Express stores to make an appealing differentiated offer.

Do you believe Walmart Express will be successful?

Although it is hard to bet against the biggest retailer in the world, it seems as though Walmart has not yet found an effective way to function with smaller storefronts.

Back
Electronics Retailers Scramble to Adapt to Changing Market


Use with Chapter 2, “Types of Retailers,” and Chapter 5, “Retail Market Strategy”

The market for specialty electronics is changing to appeal to its changing clientele. For online retailers, the answer is simple: Offer lower prices on the same electronic device found in stores. But consumers still want stores where they can check out their options.

To attract these shoppers, Target has opened small Apple stores within its retail space. Walmart’s advertising explicitly targets ex–Best Buy customers by promising the best brands and excellent prices. It also is debuting a service to upload customers’ DVDs to a cloud platform. Finally, Best Buy itself remains in the mix, trying to expand its e-commerce offerings, experiment with smaller stores, and feature a broader product line.

An independent retailer in Illinois is going a different route. Despite sales decreases of 2.6 percent in brick-and-mortar electronics stores, Abt Electronics maintains its 350,000 square foot store. It needs all that room so that it can constantly add new activity stations to attract young and older consumers: flight simulators, an aquarium stocked with brightly colored fish and a leopard shark, the latest video games, and a cord pull that surrounds the user with a giant bubble.

Abt also has made customer service a priority. Employees receive four weeks of training and wear different color-coded shirts to indicate their area of expertise. The store pays them a flat salary plus performance-based bonuses to avoid the issues associated with either form of pay on its own. In addition, employees are empowered to offer discounts on the floor, without needing to get permission from a manager.

One shopper expressed appreciation for this tactic, after a salesperson offered a $300 discount on a freezer if he purchased it together with a refrigerator. Such added value affected his store choice. In his own words, “The same model of TV is available here or there. Retailers like Abt are finding interesting ways of working around that by giving away something of value to someone like me. Best Buy hasn’t.”

Discussion Questions:

Why are electronics retailers having problems these days?

Electronics are essentially a commodity. The same product can be purchased from many sources, including online. Internet retailers that do not have to expend resources to build and staff a showroom can offer lower prices.

How are these problems being manifest in stores and in their performance?

One of the major electronics chains, Circuit City, already has gone bankrupt, and Best Buy similarly is struggling.

What can these retailers do to turn around these problems?

Retailers could take their cue from Abt Electronics and make shopping for electronics into a fun event, where staffers provide valuable information and offer great deals that encourage shoppers to buy right there. Alternatively, the chain stores might work to improve their online channel so that even if customers free-ride, they still buy from the company.

Would you want to go to work for an electronics retailer after graduation? Would you buy stock in one of them?

It might be interesting to go to work for an electronics chain, to see if I could help it turn around its struggling performance. However, without some radical changes, Best Buy might be headed the way of Circuit City, so I would not buy stock in this company right now.
Nordstrom Expanding through Rack Stores, Online

*Drew DeSilver, Seattle Times, June 13, 2012*

Use with Chapter 2, “Types of Retailers,” and Chapter 5, “Retail Market Strategy”

The high-end retailer Nordstrom already is successful, and it recently posted one of its best years in its more than century-long history. Yet it refuses to rest on these laurels. Rather, the firm best known for its remarkable customer service has turned to its market research capabilities to determine how to move forward.

That research showed that adding more department stores in second-tier markets was not the best option. Nordstrom has attained its prestigious status through upscale offerings such as couture products and in-store piano players. Such offerings are not appropriate for all markets though. Instead, the company has chosen to focus its brick-and-mortar growth strategies on expanding the number of Nordstrom Rack stores. It perceives room for 15 new Rack stores opening in the next year. This extension has been profitable thus far. Sales in Rack outlets grew last year by nearly 20 percent, largely due to the opening of new stores. Growth was not limited to new stores; even same-store sales jumped by 6.8 percent.

At the same time, the retailer plans to spend approximately $1 billion over five years to expand and enhance its e-commerce positioning. In response to inherent competition from Amazon, Nordstrom offers free shipping and free returns for items purchased online, as well as smartphone apps. Through its purchase of the flash-sale e-tailer HauteLook, it also has expanded its corporate buying capacity.

Noting that Nordstrom’s strength has always been its reputation for customer service, the company president asserts that his main goal is to move the same level of service onto the Internet and throughout the Rack stores. These moves aim to keep Nordstrom among the list of the best companies in the world.

**Discussion Questions:**

**Why is Nordstrom expanding its Rack stores?**

*Nordstrom’s market offering has always been high-end luxury apparel and stellar service. However, the number of markets that can afford such high-end items is relatively limited, especially during the modern economic downturn. The Rack stores enable Nordstrom to grow in less wealthy locations, as well as unload some merchandise that may not have sold in the regular stores.***

**What type of growth strategy is this?**

*Nordstrom’s growth strategy combines format development with market penetration. The Rack stores target a new market, whereas its e-commerce site attempts to connect with existing (and new) customers through another channel, such that they might purchase more or more often from the retailer.*
Target’s City Ambitions


Use with Chapter 2, “Types of Retailers,” and Chapter 7, “Retail Locations”

Target’s new City stores represent a massive departure for the retailer: They are approximately two-thirds the size of the chain’s big box stores, and they appear mainly in urban settings. Only about 10 percent of Target’s stores historically have been easily accessible to city dwellers, but the retailer plans to change that trend.

This shift parallels a wider demographic shift, in which cities are growing faster than suburbs for the first time in decades. These consumers previously had to plan a weekend trip out to remote locations to find a Target store. Target hopes these new stores will help it to reach its goal of increasing revenues to $100 billion by 2017—a 40 percent jump.

Not only are the City stores smaller, but they also will look a bit different from their suburban cousins, with a new store layout geared to the urban lifestyle. They will feature window displays and mannequins, both firsts for Target. Furthermore, rather than placing women’s apparel at the front, the City stores will feature athletic gear, to make it convenient for a traveler who forgot to pack gym socks to pick them up quickly. Instead of a lawn furniture section, the stores will stock organizers and air mattresses to appeal to apartment dwellers. In addition, the City stores will feature fresh produce and prepared meals to encourage people to shop often.

With all these benefits comes a new challenge. With the higher rents that tend to mark urban locations, Target plans to raise prices on some items. Walmart has found that such expansions are challenging; its Neighborhood Markets have not performed as well as it had hoped. As it tests these ideas, the City store openings will be slow but steady, starting with just 10 locations by 2013.

**Discussion Questions:**

**Why is Target moving into urban locations?**

*Traditional Target stores simply are not easily accessible to city dwellers. With its City stores, Target hopes to appeal to additional markets and increase its revenues.*

**Do you believe it will be successful, more so than Walmart?**

*It appears that Target has redesigned the stores specifically to fit the urban locations. The product assortment and layout differ from those in suburban stores, so Target appears better positioned to succeed with this strategy.*
Trouble in Aisle 5

Use with Chapter 2, “Types of Retailers”

For grocery retailers that think the competition of the past few years has been chaotic, a recent report suggests that things are only going to get worse. Impending demographic trends—most notably, the coming of age of the Millennial generation and the aging of the Baby Boomers—mean that grocers will need to reinvent themselves rapidly, efficiently, and effectively if they hope to stay alive.

Somewhat ironically, these two hugely influential age cohorts are radically different, and yet they have some similar demands. For example, both young and aging demand an abundance of fresh food choices, locally sourced and organic produce, and familiar brands. Of course, they don’t want the same brands—that would be too easy.

The differences in their needs and preferences are even more notable. Millennials, who are a diverse, technologically savvy, and well-educated generation overall, buy whatever they want, wherever it is available. This pattern results in minimal store loyalty and an increased demand for substantial convenience benefits. In contrast, the Baby Boomers tend to find a store that suits them and continue to shop there. Convenience is less an issue than familiarity and price considerations.

Some of these preferences clearly can be explained by the trends that characterize these generations. For example, Millennials (who were born between 1982 and 2001) are leaving school and entering the workforce, such that their median income generally is increasing, compared with what it was only a few years ago. The Boomers, as they reach retirement age, instead lose a substantial portion of their income as they stop working full time.

These trends are great news for some food retailers, such as natural food stores, specialty retailers, private-label sellers, and online suppliers. They are not so great for traditional grocers. Therefore, to remain vital, grocery stores need to become far more nimble: Pursue lean distribution efforts. Build private-label brands that attract consumers to the store. Make it easy for shoppers to find their favorite products. Improve pricing and promotion effectiveness through better analyses. And make sure plenty of employees are on hand to keep fresh produce on the shelves.

Discussion Questions:

How are changing generational cohorts going to impact food retailing in the future?

Already, the aging Baby Boomer generation is demanding more healthy and affordable options. The Millennial generation, as it comes of age and gains more buying power, is likely to make the demands for healthy options even more pressing, while also prompting greater competition as these customers switch easily among retail options.

What should these retailers do to accommodate and adapt to these changes?

The idea of nimbleness should be a prominent guideline for food retailers. They need to pay careful attention to shifting demands and work to meet them through both conventional and innovative means. For example, in addition to improving their supply chain efficiency, food retailers should consider expanding their private-label offerings.
Clicks and Mortar: Why In-Store Experience Matters (Now More than Ever)

William L. McComb, June 11, 2012


According to the CEO of Fifth & Pacific Companies, William L. McComb, retail success depends ultimately on customer relationships, and good customer relationships demand a stellar in-store experience. In the Internet age, he lists three elements that make in-store experiences key to success:

1. E-commerce and online retailing inherently are limited. They do not permit customers to touch or feel the products offered, nor do they provide for personal interactions with others. As a result, some online stores are moving into brick-and-mortar locations to be able to deliver the full retail experience.

2. Not only do people buy less in the modern economic downturn, but they also expect more out of their purchases. A shopping trip should be more than a quick stop at the mall. It should give customers an escape, and a really enticing retail experience can do that in ways that no website can.

3. Brands that offer online and offline shopping options, then connect them using mobile technologies, gain more share of the wallet of shoppers. They are available in all forms, and as a result they earn more from each of their customers.

In accordance with these three elements, McComb suggests five methods to produce successful in-store experiences. First, offer a sense of community. For example, Lance Armstrong has a notable online presence, but his Mellow Johnny’s bike shop in Austin, Tex., also offers customer-centric activities, such as free post-race showers, which enhance their loyalty to the Armstrong brand. Second, make mobile central to the brand. A mobile application should entice customers and drive them into the store. Target’s smartphone apps also make shopping easier by providing product finding tools, predesigned lists, and deal offers.

Third, make the store the best advertisement for the brand. In Puma stores, live DJs make the atmosphere fun and exciting. Fourth, share knowledge. Apple’s Geniuses are happy to provide customers with all the information they have. By seeking out the right hires, training them extensively, and empowering them, retailers can enrich customers’ shopping experience. Fifth and finally, make the store design visually powerful. Niketown is filled with bright colors, carefully laid out clothing displays, and quick-tempoed music. Each of these details was chosen with great care and an eye to their combined effect.

Discussion Question:

What can stores do to create a more enriching shopping experience?

There are several ideas suggested by this CEO: build community, go mobile, make stores exciting and visually appealing, and share knowledge. These tactics improve the in-store experience, which continues to offer important benefits in an age of e-commerce.

Back
Allegations recently arose, accusing Wal-Mart de Mexico of a vast bribery conspiracy, aimed at ensuring the retail chain’s rapid growth and expansion throughout Mexico. According to 2005 testimony from a former executive of the company, the bribes were paid to local officials to speed up permit processes, change zoning maps, overcome environmental objections, and gather confidential information.

The allegations by the former employee were detailed enough that Walmart assigned independent investigators to the case. The report that the investigative team (led by a former FBI agent) produced concurred that the evidence pointed to legal violations, both in Mexico and the United States. In particular, all U.S. companies are subject to the Foreign Corrupt Practices Act, which makes it illegal for any U.S. firm to bribe any foreign official. The team also recommended that Walmart expand the investigation to determine just how far the criminal activity went. Its investigations already had suggested illegal payments worth more than $24 million.

According to a recent report by The New York Times, Walmart executives instead pushed to keep the investigation under wraps. The person assigned to further the investigation was one of the executives initially accused of engaging in the illegal acts. No legal authorities ever were notified, and none of the people involved in the alleged bribery were disciplined in any way.

The company’s reaction—or lack thereof—came at a time when Walmart already was embroiled in controversy. Criticized by labor leaders and confronted with drooping stock prices, Walmart needed its Mexican expansion to succeed as a growth model. As a result, according to the Times, when “Confronted with evidence of corruption in Mexico, top Wal-Mart executives focused more on damage control than on rooting out wrongdoing.”

This case suggests a continual battle at Walmart, staged between the firm’s widely promoted and often quoted commitment to stellar moral and ethical standards and its similarly familiar objective of achieving constant, sustained, and relentless growth.

Discussion Questions:

What allegations are The New York Times bringing against Walmart?
The newspaper alleges that Walmart de Mexico engaged in sustained bribery to advance its interests. Furthermore, it asserts that Walmart’s corporate headquarters knew about these ethical violations and tried to cover them up, to protect the company’s reputation.

If these allegations are true, did Walmart break U.S. laws?
Yes, both in its Mexican division and at headquarters. No U.S. company may engage in any bribery in foreign countries, regardless of the norms in that country, under the Foreign Corrupt Practices Act.

If these allegations are true, do you believe Walmart did anything wrong, or was it just doing what needed to be done to get the job done in another country?
Some people might argue that the only way to function in a country in which bribery is common is to engage in such practices. But Walmart’s response in covering up the allegations suggest it knew that its actions were wrong. In addition, this response in itself is ethically questionable.
Apple’s Secret for Creating Insanely Loyal Customers

Tom Ryan, Retail Wire, June 18, 2012

Use with Chapter 11, “Customer Relationship Management”

Far from signs that ask, “Please don’t touch the merchandise,” Apple stores are designed to get customers to interact with the products, which leads to multisensory customer experiences and thus remarkable success for the firm.

Some of the tactics are simple. A customer entering an Apple store sees all the devices on display powered up (unlike at Best Buy, where most devices remain turned off). These devices are loaded with fun software and apps, as well as free Internet access. Even the screens on the notebook computers are angled precisely, in such a way that most customers need to adjust the display to see it more easily. That simple touch to adjust the screen creates a form of interaction.

The staff at Apple stores also adds to the experience. They tend to be friendly and knowledgeable, and they never pressure customers to stop playing with an iPad, finish their game on a MacBook Air, or browse through the offerings faster. Thus customers can—and do—spend substantial time playing and interacting with the products. Even the “One on One” trainers encourage interactivity, in that they never touch the customers’ computers themselves to demonstrate solutions or methods.

The appeal of an interactive retail space is not limited to technology offerings, as the success of Build-A-Bear Workshops attests. Both Apple and Build-A-Bear offer great products that customers want to try out, and then empower those customers to do just that.

Discussion Question:

How does Apple use its merchandise to create loyal customers?

Because Apple provides fun products and then encourages people to play with them in stores, even before they buy, people get hooked on the hedonic elements of Apple’s offerings. In addition, its strong service and hip brand image give people a reason to remain with Apple once they have purchased their first product.
There are a lot of retailers that want your grocery dollars. The competition is no longer limited to just grocery chains like Kroger. Instead, it has expanded to include discount stores, big box retailers, and wholesale clubs. And to make the contest even more interesting, many of these competitors are adopting a similar strategy.

Specifically, they are aiming to get customers in the door by promising an enticing deal on a single item. Once customers are in the store, the retailers are banking on the idea that they will buy a few more things, each with much higher margins. For retailers such as Walmart, groceries have become the enticement. It started offering Supercenters that featured fresh produce more than a decade ago. This year, Walmart also promised to cut prices on food products by $1 billion.

Target similarly is rolling out a new concept, P-Fresh, to turn its stores into viable options for grocery shoppers. The plan has been effective so far, giving Target a 7 percent bump in same-store sales in the 875 stores in which it sells fresh foods.

For many grocery retailers, these moves are very threatening—but not for Kroger, which instead began offering low priced gasoline. Customers confronted with tight budgets and higher gas prices thus have come to rely on Kroger for affordable gasoline. Kroger hopes that these customers then decide that as long as they are in the parking lot, they might as well stop in to pick up some household necessities. Thus unlike its grocery peers, Kroger has been able to defend and even increase its market share.

**Discussion Question:**

Among the successful retailers discussed in this article, Walmart, Target, and Kroger are all pursuing a similar pricing strategy. What is it, and why is it working?

*These retailers are all pursuing a loss-leader pricing strategy. In the case of Walmart and Target, the loss leader category is grocery, whereas for Kroger, it is gasoline. It works because people are drawn to the stores for the loss leader products and end up purchasing other categories for which the margins are higher.*
Demographic data has long been used to segment markets and define how firms target items for sale to their customers. But in the seemingly anonymous setting of the Internet, such segmentation and targeting, in the form of price customization, are growing ever more sophisticated.

Readily available software, using cookies, enables online retailers to detect just who is shopping, when, how, and for what. The price customization software combines various sources of data to determine how to appeal to each online shopper. If one visitor seems in a hurry, the site might highlight more expensive, ready-to-ship items—or at least not offer something on sale.

The travel website Orbitz admits to its use of such techniques, with an online demographic criterion that signals what type of person is shopping the site according to their computer, that is, a Mac or a PC. When Orbitz finds that a visitor has used an Apple product to access its website, it puts higher-end, more expensive hotels at the top of the results page. That’s because its research has shown that Mac users tend to have more income and spend more on hotels. In this case, the firm does not charge different prices; it simply leads users where it thinks they want to go.

Other firms price discriminate using software, because customized discounts assigned this way tend to induce significantly more purchases than randomly offered discounts. Even as more and more retailers adopt the practice, it remains difficult for customers to recognize it. Thus some observers are questioning just how ethical price customization is. As a result, many firms are cautious to admit that they use the software. They also avoid, at least for now, placing a link between their price customization software and social media pages, worried that such connections might cross the line when it comes to customer privacy.

Discussion Questions:

What is price customization?

*Price customization offers different prices to customers based on some criterion, such as the type of computer used, the time of day the purchase is being made, and so forth.*

How does it work?

*Online retailers can use specialized software to predict which customers need to receive a promotion before they will buy and which ones are more willing to pay a higher price.*
What retailers are using it?

Many more retailers are using it than are admitting they use it. However, airlines have price customized for years, offering lower fares to people who buy early and stay over certain nights. Orbitz also has admitted to customizing its offers to Mac versus PC users. Is this practice ethical? Is it legal?

The examples offered are legal forms of price customization, but it is easy to imagine how they might enter some ethically questionable areas. For example, if retailers price customize based on criteria such as gender or age, it would be highly unethical.

Back
As the size of Americans’ television screens has increased, the prices they pay have dropped by approximately 15 percent in just three years. In response, two of the biggest television manufacturers, Sony Corp. and Samsung Electronics Co., have threatened to stop supplying any retailers that advertise or sell their televisions for less than the manufacturers’ suggested retail price.

The move is legal. The U.S. Supreme Court already has confirmed that manufacturers are allowed to force retailers to stay above a minimum price when advertising their products. It also may prove beneficial for retailers that are subjected to free-riding or “showrooming” consumers. These shoppers visit the stores to get information and a feel for the latest models, but then they switch to lower priced online retailers to actually buy the devices. Finally, the move is not unprecedented. Apple has long restricted the prices for its products tightly, and Sony even had done so with other product lines, such as camcorders.

Despite all this justification, the move also appears risky, especially if consumers reject the higher prices. In that case, both retailers and manufacturers lose, because sales will suffer. Many retailers thus reject the notion of firm prices, noting that if they maintain the high price levels, they will lose sales to other stores. Furthermore, only Sony and Samsung are adopting this policy. The three other major competitors in the television market still allow retailers to discount their products deeply to make the sale.

Discussion Questions:

What is resale price maintenance?

When manufacturers tell retailers at what price they may—and may not—sell the manufacturers’ products, they are engaging in retail price maintenance.

Is it legal?

Yes, as affirmed by the Supreme Court.

What are consumer electronics retailers doing with regard to resale price maintenance?

There is some variation in their responses. However, some retailers already have rejected the notion and asserted that they will offer whatever prices enable them to make sales and earn revenues.
Future of Retail: Companies that Profit by Investing in Employees

Christopher Matthews, Time Magazine, June 18, 2012

Raises in Store at Apple


Use with Chapter 16, “Managing the Store”

It may seem like an oxymoron, but a new idea is catching hold: Pay employees more, and increase store efficiency. Whereas a long-held notion suggested that by cutting labor costs, companies could function more efficiently and effectively, research conducted among some very successful—as well as some failed—retailers indicates that this short-sighted solution leads to some negative repercussions over time.

When retailers fail to invest sufficiently in recruiting, training, and supporting their workers, they wind up with under-qualified, poorly motivated, and insufficiently paid employees. These employees cannot perform to the level required to achieve efficient store operations. Thus, the stores themselves become far less profitable over time, even if they might have earned some short-term profit bumps by cutting their human resource budgets.

For example, tasks such as stocking, customer service, and promotions can be highly complex and demand substantial human judgment. Workers on the sales floor must recognize an empty shelf or rack, decide which products to restock, and recall where to find the excess inventory. According to recent research published in Harvard Business Review, “When these nitty-gritty, ongoing operational issues are handled by low-paid employees at understaffed stores, the consequences for operational execution can be severe.”

In contrast, if stores invest in their employees, they can still offer low prices, achieve excellent performance, and provide better customer service, as exemplified by retail successes such as Trader Joe’s (which pays employees $40,000–$60,000 annually) or Costco (which promotes 98 percent of its managers from within). The apparent trade-off between low costs and high expenditures on labor works well, because a well-trained, motivated workforce offers efficiencies too.

It is not only the low cost chains that can benefit from such investments in employees. Apple has announced that it will be raising the hourly wages for its approximately 36,000 employees by as much as 25 percent.

Discussion Question:

Why should retailers pay their employees more money?

When stores pay their employees well, those employees are more motivated and dedicated to doing a good job. Good wages also attract more qualified applicants to pursue jobs with the retailers. Finally, an effectively trained and well paid staff can greatly increase the efficiency of the firm’s operations.

Back
There are seven key layout tactics that the large, successful retail chain stores use to make their stores appeal to customers and encourage them to spend more. None of them are exclusive, so virtually any store could apply them.

First, use window displays to grab customers’ attention, rather than letting the windows just open directly into the store. Design experts suggest minimal clutter, a single color theme, and a display that communicates the store’s image and message.

Second, if the windows don’t do it, make sure the entryway creates an appealing, attractive display that causes customers to slow down and take a look at the highlighted offerings. For small stores, the best option is a low, narrow shelf, which customers can look past to see the rest of the shop, and which help make the store look full but don’t require a vast merchandise inventory.

Third, the layout should push customers to the right after they enter, because that is the direction most people prefer to move naturally (right, then counterclockwise through the store). A grocery store thus might put the floral or fresh fruit department on the right, pulling shoppers in that direction with the appeal of the bright, cheerful colors.

Fourth, once customers have started moving through the store, the layout should continue to lead them to somewhere—and not ever dead end at a wall or the bathrooms.

Fifth, whereas the most common layouts use aisles that are parallel to the store walls, angled aisles offer visual appeal and excitement. If angles on both sides lead to a point at the back, retailers gain another space that they can use to showcase a great display.

Sixth, angled aisles may be very successful, but if the store is too small for them, it still needs some sort of break. Seemingly endless, long rows do not attract customers. And if shoppers won’t even start down an aisle, there is no chance that they can find the items placed in the middle. Signs or displays, such as those that appear in big box retailers, can offer a visual break.

Seventh, people naturally enjoy rounded shapes, so to create an eye-catching display, retailers should use a U-shaped sign or background shape that extends toward the shopper (with the middle further from the shopper)—like a “hug” in the middle of the store.

Discussion Question:

What tips can smaller retailers borrow from big chains to improve their store layout, design, and visual merchandising?

Smaller stores should start with the premise that their goal is to make their stores more visually appealing and interesting. From that foundation, they can offer clear views into their stores, design compelling window displays, and provide plenty of visual breaks, such as angled aisles or signage. A U-shaped display welcomes customers into the middle, to check out the merchandise on its shelves, but a layout that forces customers to stare at a wall is not effective.
Leave Me Alone, I'm Shopping


Use with Chapter 18, “Customer Service”

 Cosmetic counters in department stores once followed a single script: Get women into chairs and offer a partial makeover to show them just how great they could look after purchasing a full line of products. Salespeople were encouraged to interact with customers, convince them their skin would benefit from one of the products that just happened to be on sale, and upsell anything a shopper chose. But modern shoppers have little patience for such interactions, little time to listen to another sales pitch, and sufficient experience to know what they want.

 In response, cosmetics brands are changing their approach. Clinique is redesigning its sales counters to offer more self-service options and enable shoppers to grab what they need and go, with minimal interactions with sales clerks. Rather than being stocked behind the counter, the products appear on display, in drawers and open shelves. For the more than one-quarter of customers who only need to restock on moisturizer, clarifying lotion, or soap, a “Grab and Go” counter puts everything in easy reach. For other products that people might want to try, there are open vials and bottles, along with tissues and swabs, encouraging experimentation. The signage around the counter is new too, vowing “Carry a Clinique browsing basket and we'll leave you alone. Promise.” The only moment in the entire shopping trip that customers have to interact with Clinique’s white-coated salespeople is to make a purchase.

 Similarly, Dior offers a “Best Seller” section in its counters, so that customers can find some of their favorites or recommended items without being interrupted by a sales clerk. Its open mascara displays also are very popular—though the company is finding that this open selling concept makes it far more difficult to keep the displays tidy and in order.

 They might take some lessons from Sephora, a specialty beauty chain that has always offered a vast array of test product and hands-on displays. Its seemingly radical approach attracted substantial attention and business, in some cases drawing customers away from other high-end brands. Yet this “prestige” beauty product market continues to grow, recently reaching a valuation of $8.7 billion.

 Discussion Questions:

 How are retailers changing the way they service cosmetics customers?

 In department stores, cosmetic retailers are becoming more “user friendly” by allowing customers to try out more products. The revised layouts also offer more convenience for shoppers in a hurry who already know just what they want.

 Why are they making this change?

 Customers are demanding it. Shoppers have grown tired of constant upselling attempts, and in many cases, they simply don’t need the kind of assistance that cosmetic counter salespeople have long provided.

 As a consumer, would you embrace this change? (Men can pick another product category to develop their response.)

 Absolutely. When I am shopping for something with which I already have experience, the last thing I want is to be slowed down or pestered by a salesclerk who only seems to want to get me to buy more.

 Back
Glassdoor.com produces an annual retail report card. This site collects salary and company data, as well as information from anonymous workers and employee ratings. According to Glassdoor.com, the biggest factors in the scores on the retail report card include senior leadership, career opportunities, and quality of training.

According to Glassdoor.com’s 2011 ranking, the top retailer to work for is Recreational Equipment, Inc. This Washington state based retailers sells sporting and outdoor equipment. REI’s focus on work-life balance, extensive benefits package, and high employee engagement helped the retailer earn an average score of 4 out of 5.

Other top retailers to work for include:

J.Crew, a New York City-based apparel chain, with a score of 3.9

Wayfair, a Boston-based home furnishings chain, with a score of 3.8.

Costco, an Issaquah, Washington-based membership warehouse chain, with a score of 3.8.

Other retailers in the top ten, include: Lakeshore Learning Materials, Sleepy’s, Nordstrom, Williams-Sonoma, IKEA, and The Buckle.

Retailers that scored lowest on the survey include:

Hastings Entertainment, an Amarillo, Texas-based used books, video games, music and movies chain, with a score of 1.8.

Century 21, a New York-based department store chain, with a score of 2.

Jos.A. Bank Clothiers, a Maryland-based men’s apparel chain, with a score of 2.

Companies that did not score well on the survey blame the tough economy, a lack of financial resources, and problems with recruiting.

**Discussion Question:**

**What characteristics do you think make a retailer a great company to work for?**

Ask students what characteristics a retailer should have to become a great company to work for. What traits are most important? Benefits, flexibility, upper management, promotion potential, etc?
Predictions 2012

Susan Reda, Stores Magazine, December 2011

Use with Chapter 1, “Introduction to the World of Retailing,” and Chapter 5, “Retail Market Strategy”

It was hard for Stores Magazine to make predictions for 2012 when game changers, like Apple’s EasyPay system, Walmart’s Black Friday Facebook promotion, and Apple’s Siri are being introduced almost weekly. With so many retail and technology innovations, Stores Magazine had to make multiple predictions; the main one is that “2012 is going to be a heck of a ride!”

Here are some of Stores Magazine’s predictions for 2012:

- Digital voice technology will be a major disruptor in the retail industry. Chatter will increase between not only the customer and the retailer, but also the retailer and company data.
- 2012 will be marked by a tremendous amount of innovation, particularly within the mobile and social realms. Companies like Apple, Google, Facebook and Amazon are changing the way consumers interact with retailers.
- In 2012, we will see more partnerships between retailers and vendors and retailers and competitors.

MOBILE
- By 2015, there are expected to be more mobile Internet users than PC users.
- Mobile will unify all channels of retail and will be a predictor of tomorrow’s winners in retail.
- For retailers, the risk of not developing a mobile channel is greater than the risk of not getting it right the first time. Retailers have to embrace this new channel.

ANALYTICS
- A recent survey of retailers by Accenture found that 72% of respondents plan to invest more money in analytics. Data is coming in faster and more focused than ever. Many retailers are struggling to find employees who can analyze all this data.
- The biggest chunk of retailers’ IT budgets will go towards investments in intelligence and analytical tools.
- Retailers will focus on engineered systems where software and hardware work together to realize analytics as they happen.

IT
- More retailers will follow in Bloomingdale’s and JC Penney’s footsteps and adopt RFID technology.
- Cloud computing will continue to grow. Many retailers are expecting inventory management to “live” in the cloud.
- Intelligent virtual agents for online customer service will become more common. Retailers will adopt this knowledge for future customer interactions.
- Video analytics will be used in-stores to study workforce management, customer engagement, out-of-stocks, and customer shopping patterns.

SOCIAL
- According to EMarketer, Facebook will become the top seller of display advertising in the United States.
- Retailers need to be a part of the social media and online conversations.
- Companies should embrace analytics that help them understand and capture the customer emotions expressed via social media.

CUSTOMERS
- Operations need to become more customer-centered.
- Retailers should do more than just listen to the conversation; they should react and develop a co-creative culture with customers.
- Retailers need to find more creative ways to reward loyalty.
STORES

- Retailers will continue to struggle with managing which is more important: the brands in the store or the brand on the door?
- Retailers need to control the shopping experience and engage the 21st century shopper.
- Labor issues will continue to be important to retailers as task management becomes more of a focus in 2012.

The bottom line is that 2012 will be challenging for retailers. The U.S. economy is fragile, the political system is fractured, there is political unrest abroad, and consumer sentiment is mediocre and often distracted or disinterested. Stores suggests that the most important thing a retailer can do is to stay the course in 2012 and focus on customers and merchandise planning.

Discussion Question:

What are the most important trends in retailing for 2012?
The most dominant, overarching trend for 2012 is that it is going to be a year of change for retailers. Retailers will see changes in the way consumers interact with them, changes in inventory and personnel management, and changes in the way they collect customer information. Ask students to discuss which retail trends discussed in the article will impact them the most. Ask them to discuss retailers they think are at the forefront of some of these trends.

Costco’s CEO’s Legacy Continues as He Steps Down

Jessica Wohl, September 1, 2011, Reuters

Use with Chapter 1, “Introduction to the World of Retailing,” and Chapter 5, “Retail Market Strategy”

Jim Sinegal, Costco’s 76 year old CEO, announced that he is retiring in January and will be replaced with Costco President and longtime employee, Craig Jelinek. Analysts hope that Jelinek will continue with the legacies, traditions, and corporate culture that Sinegal created.

Sinegal’s motto has always been not to overcharge the customer for anything. For example, Costco offers customers a $1.50 hot dog and fountain drink combo; the price tag has remained constant for over 25 years. This combo is one of the most representative symbols of Costco’s value proposition.

Costco does not sell anything in its warehouse stores with a margin that is higher than 14%, except for its private label products, Kirkland Signature. Kirkland Signature products may have margins that reach 15%.

Costco has maintained the same membership fees for most of its 600 locations for the past 5 years. With commodity prices rising, Costco could raise prices, but tries not to. When the cost of bananas increased in early 2011, Costco raised the per-bunch price by 4 to 5 cents, but reduced the price once the cost of bananas fell.

This frugality and cost saving mindset is engrained in the Costco culture. Most Costco executives answer their own phones. Costco has no public relations staff and a very small investor relations staff, especially compared to other retailers of the same size. Costco’s board has suggested that Costco executives are underpaid; for example, Sinegal has earned $350,000 per year since 1999. Sinegal is recognized as a pioneer in retailing and as one of the great retail leaders for developing corporate culture. Considering that Costco’s shares have risen nearly 40% in the past year, compared with Walmart’s 6%, Sinegal is also recognized for his success. For the continued growth of Costco, Jelinek should continue the strong culture and cost saving traditions of his predecessor.

Discussion Questions:

What is Costco’s retail mix?
One of the main components of Costco’s retail mix is its pricing strategy. Costco offers bulk products to consumers at lower prices than grocery stores or discount retailers. Costco’s retail mix also focuses on bare minimum design and atmospheric components,
choosing instead to pass those savings on to the customers. It has minimal promotions and operates in huge warehouse-like stores in relatively inexpensive locations.

What are Costco’s bases for sustainable competitive advantage?
With the economic downturn, many retailers were scrambling to find ways to cut costs and lower prices for consumers. Costco’s business model was already centered on providing customers products at the lowest prices. Costco has a business model that will allow them to continue to provide lower priced offerings to customers.

A General-Store Race is On


Use with Chapter 2, “Types of Retailers” and Chapter 12, “Managing the Merchandise Planning Process”

Dollar General has $14.8 billion in revenue in 2011, making it the largest and fastest-growing of the dollar-store chains. The current CEO of Dollar General claims that Dollar General’s next move is to expand into new retail space as it attempts to become the “new general store.” This new format involves selling groceries and other discount items in a larger, midsize store-format. For convenience, the Dollar General Market store will put frequently purchased merchandise items like bread, milk, and juice near the store’s entrance for quick pick up. However, big-box retailers like Target and Wal-Mart are developing their own strategies to compete with Dollar Stores by developing small-store strategies that are more like a general store. Drugstores are also adding packaged foods to become more like a general store as well.

Discussion Questions:

What type of store is Dollar General?
Dollar General is an extreme-value retailer.

How and why is it changing its assortment?
Dollar General is changing its assortment to become more of a general store. This will involve selling grocery items like bread, milk, and juice as well as other discounted items that are not typical of dollar stores. Dollar General is changing its format to provide convenience for customers and continue its rapid growth.

Sears-Where America Shopped

Brigid Sweeney, April 21, 2012, Crain’s Chicago Business

Use with Chapter 2, “Types of Retailers,” and Chapter 5, “Retail Market Strategy”

Sears, once America’s retail sweetheart, is now facing tough decisions about its grim future after posting its second worst year in history. Sears started in 1886 when Richard Sears purchased a shipment of gold watches for $12 a watch and sold them for $14 a watch. Within 6 months, Mr. Sears had earned $5,000 and started R.W. Sears Watch Co. In 1887, he moved his company to Chicago and partnered with Alvah Roebuk, a watch repairman. In 1893, the two co-founded Sears Roebuk & Co., published a catalog with watches and jewelry, and enjoyed sales of $400,000. By the mid-1920’s, Sears realized that brick and mortar stores were becoming increasingly popular and opened its first store within its Chicago headquarters in 1925. Soon, Sears was growing so rapidly that it was opening one store every other business day. By 1931, retail sales topped mail-order sales and the company exceeded sales of over $180 million. During the early 1950’s, Sears
recognized suburban growth and began opening stores in America’s suburban areas. Sears was known for its ability to adapt to changes in the American culture. During this growth, Sears also created Allstate insurance and acquired stock brokerage firm Dean Witter Reynolds and real estate firm Coldwell Banker. Sears wanted to be the place where middle class Americans could buy clothing and appliances, as well as apply for a mortgage.

In the 1980’s Sears ignored Walmart as a competitor, quickly dismissing the upstart from Bentonville, Arkansas. By the mid-1990’s Walmart was a viable competitor and was quickly eroding Sears’ market share. Executives from other retail giants came in to pioneer Sears’ comeback, including launching the successful “Softer Side of Sears” campaign which temporarily reinvigorated Sears. During this period, Sears executives also had to make tough decisions about Sears’ credit portfolio which included 60 million cardholders and $28 billion in consumer debt. Thanks to significant interest rates, profit margins were high and accounted for 10% of the company’s overall revenue. However, delinquencies were becoming more common and Standard & Poor lowered its rating on Sears’ debt causing the CEO to put the credit unit up for sale.

In the early 2000’s Sears aggressively pursued Kmart and merged the two together. Executives at Sears believed this strategic move would help the company combine brands and assets to better compete with Walmart.

Today, Sears is the 10th largest retailer in the U.S. based on revenue. However, the company is stuck in the middle of discount store chains like Walmart and high-end stores like Saks Fifth Avenue and Nordstrom. Morale is down with many Sears’ employees taking off their badges when they leave the building because they are too embarrassed to say they work there. The chairman, Edward Lampert, is known for constantly berating employees and has seen many of his top executives leave the company over the past few years. No one knows what Sears’ strategy is and say that it changes every day. One day Mr. Lampert is obsessing about online sales and e-commerce and the next he is challenging employees to focus on social media.

The future and direction of Sears remains uncertain. Many believe that as long as Mr. Lampert is not losing money off his initial investment of $16 a share, he will continue to preside over a “slow liquidation” over what was once the greatest retailer in America.

Discussion Questions:

Why was Sears successful in the distant past?
Sears was successful in the early 20th century because of its catalog and mail-order business. Sears was also very adaptable and learned to anticipate changes in American culture and meet the changing needs of American consumers.

What have they done, right or wrong, to get them where they are today?
Probably one of the main things that Sears did wrong was ignore Walmart as a threat. In addition, Sears tried to be a part of too many businesses, like banking, insurance, and real estate. Its merger with Kmart hasn’t made things any better. Finally, it clearly lacks leadership and a vision for the future.

Do you think Sears will be around 10 years from now?
Ask students if they think Sears will be around in 10 years. Chances are good that Sears will still be around in 10 years, however, it will probably be on a much smaller scale, as Sears continues to liquidate stores and business investments.

Do you shop at Sears? Why or why not?
Ask students whether or not they shop at Sears and why. Many students probably don’t shop at Sears because they think the clothes are outdated or not trendy enough. Some students may shop at Sears for appliances or home goods, because that is where there parents shopped or it is the only option in their home town.

Back

Grocery Delivery Services Draw New Interest by Online Shoppers

Kavita Kumar, St. Louis Post Dispatch, November 6, 2011
Grocery delivery services, once considered logistical nightmares, are making a slow comeback. Younger shoppers, accustomed to buying most of their purchases online, view the Web as their primary method of shopping, even for groceries. Walmart, for example, is testing a delivery service in northern California, called Walmart to Go. AmazonFresh, a unit of Amazon, for the past few years has delivered produce in the Seattle area.

Many grocers are struggling with whether or not to compete in this area, and if it logistically possible to be successful. Most grocers feel that customers want the opportunity to preview their produce and meats in the store, but don’t want to alienate the core group of customers that would prefer to shop online.

With grocery items already at low margins, many grocers are concerned with adding fuel costs. In addition, some grocers are only able to offer a 4 hour window for grocery delivery, which eliminates the convenience factor for many customers. Furthermore, in most communities, customers only have to travel ten minutes or so to get to a grocery store.

For right now, grocery delivery services might only appeal to people younger customers on the go, or consumers who are homebound. But other grocers are viewing online grocery delivery services as an opportunity for growth and expansion in the next decade.

Discussion Questions:

Do you think that online grocery services will grow?
Ask students if they think that online grocery services are viable for many current grocery stores? What do grocery stores need to do to adapt if they choose to offer this option?

Do you use online delivery services? Why or why not?
Ask students to discuss whether or not they use online grocery delivery services. If so, ask students why this method preferable to shopping in the grocery store.

Thinking Outside the Redbox

Nick Wingfield, February 17, 2012, New York Times

Coinstar is the parent company of Redbox, a self-service movie rental operation with more than 35,000 locations nationwide. Most Redbox kiosks are located in corners of Walmarts, McDonalds, and drugstores. Redbox has become one of the biggest renter of home videos in the United States because of its convenience and $1.20-a-night DVD rentals.

Because of Redbox, Coinstar now has increased visibility as a major player in the self-service market. Before Redbox, Coinstar was known primarily for its coin-counting kiosks. With the popularity of Redbox increasing, Coinstar is considering expanding self-service kiosks into new product markets.

Coinstar is planning to launch coffee kiosks that provide customers with a cup of fresh coffee similar to what is available at higher priced coffee shops. Coinstar is testing the coffee kiosks in several markets around the country and plans to have 500 installed by the end of the year. Coinstar partnered with Starbucks on the kiosks, which serve Seattle’s Best Coffee.

Coinstar is also testing a concept called Gizmo in Texas and California. Gizmo sells video game consoles, iPads, and other electronics through kiosks. Coinstar is also testing the ecoATM, a kiosk that alloes customers to trade in old cellphones and other electronics for cash. Coinstar has 8 or 9 kiosk ideas in various stages of development.
The company is pursuing new kiosk ideas as the future of movie rentals is uncertain. 85% of Coinstar’s 2011 revenues were from Redbox; but the number of movies rented in DVD and Blu-Ray format fell by 11% last year. Analysts believe that even though Redbox is currently successful, the decline in physical rentals is irreversible.

**Discussion Questions:**

**What did Coinstar do before Redbox?**
*Before Redbox, Coinstar was known for its coin-counting kiosks. These kiosks were primarily located in grocery stores and convenience stores.*

**What type of growth strategy is Coinstar pursuing?**
*Coinstar is pursuing a retail format development growth opportunity. This is an opportunity in which a retailer develops a new retail format with a different retail mix for the same target market. Coinstar is trying to introduce new kiosks like Gizmo and ecoATM. These kiosks will offer different products and services than the traditional Coinstar and Redbox kiosks. They will continue to be located in high traffic areas like grocery stores, drug stores, and fast food chains.*

**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.*

**Amazon’s Move to the Real World**

*Kyle Priest, March 2, 2012, Chain Store Age*
Use with Chapter 3, “Multichannel Retailing”

Amazon has become one of the world’s largest retailers by offering easy one-stop shopping and innovative recommendations, as well as letting certain product categories (like books) act as loss leaders. However, Amazon is quickly realizing that it can no longer ignore customers’ continuing need to touch and feel merchandise before they purchase it. Thus, Amazon is planning on launching its first brick-and-mortar location in Seattle to start competing in the physical world of retail. Amazon claims that its brick and mortar concept is mostly a test to determine its profit viability.

Small independent stores are frightened by the retail behemoth’s foray into the physical world because customers will now get a full, multi-channel experience where they can get the best prices, the most selection, and the most convenience. However, some retail experts suggest that Amazon’s entrance into brick-and-mortar could be an opportunity for independent retailers.

The following outlines several opportunities for collaborative efforts between independent retailers and Amazon, as well as ways independent retailers can differentiate themselves from Amazon:

1) Just like its online presence, Amazon’s physical presence might allow “store within stores” that independent businesses can use to launch innovative new products.
2) Provide a multi-channel experience. Amazon’s move to brick-and-mortar should encourage businesses to expand their channels to include online and mobile.
3) Independent retailers should capitalize on the customer service and individualized attention they can offer customers that mega-retailers are unable to provide.
4) Independent retailers can get an Amazon marketplace and build an Amazon presence that clearly delineates their offerings from other stores in Amazon marketplace.

With this new era in retailing, customers are also winning. Customers will enjoy the benefits of physical interaction with products in Amazon’s store. By developing a physical presence, customers are more likely to have a brand relationship with Amazon than with its vague online persona. Returns and exchanges will be easier for customers in-store versus mailing back returns. Finally, customers can have a more engaged experience with Amazon through its physical store than through its online presence.

Discussion Questions:

What can independent retailers learn and benefit from Amazon’s move into brick-and-mortar space?
Amazon’s move into brick-and-mortar will benefit independent retailers by encouraging them to step up their game and create unique experiences for the customer. Independent retailers can also try to build a “store-in-store” presence within Amazon’s brick-and-mortar locations that offer the ultimate visibility and traffic.

How will customers benefit?
Customers will benefit from Amazon’s physical store because of the ability to physically interact with products. In addition, returns and exchanges will be streamlined and have a faster turnaround in stores versus online. Finally, having a physical location allows customers the opportunity to interact with the brand more and develop more of a brand relationship.

Retail Customer Experience: Eight Ways the Smartphone Can Help Your Customers Love You

Cherryh Butler, March 14, 2012, Retail Wire

Use with Chapter 3, “Multichannel Retailing” and Chapter 15, “Retail Communications Mix”
Molly Garris, director of digital strategy at Arc Worldwide, recently gave a presentation at the GlobalShop Conference in Las Vegas. Her presentation focused on eight ways retailers can use mobile technology to build sales.
Help shoppers prepare: Many shoppers use smartphones to keep track of lists, appointments, and events. Stores like Kroger are developing apps that allow customers to create lists, but also searches for coupons and deals for items that are on customers’ lists.

Invite them to the store: Companies like Shopkick are offering customers apps that not only show customers the stores around them, but also offer customers incentives just for entering the store.

Show them around: Shoppers can use apps to scan barcodes, read product reviews, and search for items within a store.

Help them decide: Customers use smart phones to seek advice from friends and family about their purchases. Customers also use smartphones to search for product reviews. Best Buy has an app that allows customers to scan QR codes and compare product reviews and prices of four items side by side.

Encourage them to share: Many retailers are creating apps that allow customers to take a picture of a product, or even find a product on the retailer’s site, and share it via social media.

Make the transaction easier: Many retailers are arming their employees with iPhones and iPads to check customers out in the store. This allows customers the option to check out instantly and avoid long wait lines.

Add valued service to the product: Retailers can give customers tips on how to use the products they just purchased. For example, Home Depot’s app gives customers tips and videos on do-it-yourself projects.

Invite them back: Retailers can develop apps that encourage customers to come back into the store. For example, Walgreens sends text alerts to customers when their prescriptions are due for a refill.

Discussion Question:

How can mobile apps improve the customer experience?

Mobile apps can improve the customer experience in several ways. First, mobile apps can streamline the purchase process for customers. Second, mobile apps provide customers with an opportunity to provide feedback to retailers. Finally, mobile apps can alert customers of promotions and deals, as well as allow them to compare products.

U.S. Stores Learn How to Ship to Foreign Shoppers

Stephanie Clifford, March 20, 2012, New York Times

Use with Chapter 3, “Multichannel Retailing,” and Chapter 10, “Information Systems and Supply Chain Management”

As part of their expansion efforts, many retailers are exploring opportunities to appeal to international shoppers. Companies like Macy’s, Williams-Sonoma, J.Crew, Crate and Barrel, and Lane Bryant have all added international shipping options to their website. Many international customers are turning to American sites because similar products are not available in their own countries, and if they are available, the U.S. retailers’ prices are lower. In addition, the use of mobile technology for retail sales is expected to increase 67% by 2015 in Western Europe, Asia Pacific, and Latin America. This rapid adoption outpaces even the United States consumer’s use of mobile technology. This seems like a win-win for retailers looking for new avenues of growth outside of the United States.

However, shipping internationally is not just a matter of putting a product in a FedEx or UPS box. Many retailers do not have software in their distribution centers that recognize foreign postal codes. In addition, managing customs is challenging for some retailers. Every item a retailer ships overseas has to be labeled with information like country of origin and materials used. Furthermore, delivery costs can sometimes exceed the cost of the product itself. Many retailers are recognizing the weaknesses in their own shipping processes and are outsourcing global shipping to third party logistics providers. Macy’s is still learning how to manage international shipping. They have already
implemented a website that detects the location of international visitors and shows them a welcome screen in their local language. At checkout, Macy’s customers get a final price, plus shipping costs, in their own currency.

Discussion Questions:

What U.S. based retailers are beginning to cater to foreign shoppers?
Retailers like Macy’s, Williams-Sonoma, J.Crew, Crate and Barrel, and Lane Bryant are all beginning to offer international shipping options on their websites to attract foreign shoppers.

What are the challenges associated with shipping to foreign shoppers and how are retailers dealing with them?
One of the primary challenges is that most retailers’ software is not capable of processing foreign postal code information, so retailers are struggling with addressing and reading outgoing packages. Another hurdle for retailers is all of the paperwork involved in clearing customs. Many retailers are outsourcing international shipping to third party logistics providers.

Understanding Social Media “Personas” Is Key

Karlene Lukovitz, March 8, 2012, Marketing Daily

Use with Chapter 3, “Multichannel Retailing” and Chapter 15, “Retail Communications Mix”

Coca-Cola Retailing Research Council of North America and The Integer Group recently conducted a study that categorizes social media users into four “personas” based on how customers engage with brands and use social media for shopping.

The four social media “personas” are:

1) Bonders- These customers use Facebook the most frequently and have been using it for the longest amount of time (44% have had Facebook accounts for three years or more). Bonders are concerned with staying connected and cultivating relationships with friends, family, and colleagues. Bonders view themselves as fun, sociable, well connected; they are often the first to volunteer to host a party or organize an event. Bonders are the segment most likely to use mobile phones to connect to social sites. 47% of Bonders spend at least 1-2 hours per day on social sites.

2) Sharers- These customers like to circulate information and inform their “friends” on what’s going on in their lives. Sharers are primarily female, older, kind, sincere, and place an emphasis on building strong relationships. Sharers spend most of their social media time on Facebook, and prefer to view others’ status updates and post comments. 40% admitted to spending 1-2 hours per day on social networking sites.

3) Professionals- These customers want work/life balance. Professionals use social media for professional networking and for sharing opinions and resources. Professionals use social media to develop an image of efficiency, intelligence, and organization. Professionals are more likely to be college educated, employed full-time and introverted. Two-thirds of Professionals use mobile phones to access social media sites. However, only 18% of professionals log in daily.

4) Creators- Creators are more likely to be male, younger, and culturally diverse than other segments. These customers are outgoing, creative, bold, and use social media to express themselves and develop original
content. Creators post content, watch videos, and browse for updates from friends and family primarily through Facebook and Twitter. 43% of Creators spend 1-2 hours daily on social networking sites.

Discussion Question:

What types of people use social media?
All types of people are using social media, from younger male customers (Creators) to older female customers (Sharers). Each group identified in the study, Bonders, Sharers, Professionals, and Creators, has unique characteristics and is more likely to engage with certain product categories via social media.

Shopper Marketing: Mobile Up, Daily Deals Struggling

Sarah Moahoney, Marketing Daily, May 8, 2012

Use with Chapter 3, “Multichannel Retailing,” and Chapter 15, “Retail Communications Mix”

According to recent research, people are talking about mobile technology more than they are actually using it. Adoption of handsets and mobile activities are on the rise, but shoppers are actually slower to adopt mobile technologies than what popular press indicates.

The research indicates that traditional digital platforms like email, websites, and retailer-targeted content, continue to get the most of the shopper marketing dollars and will remain the top priority of most retailers. Retailers across the board agree, though, that digital technology has changed the way people shop, that mobile technology is a game changer, and that consumers use technology to make decisions before and after they visit a store.

The research also assessed the different technologies available for shopper marketing and categorized them into four tiers. Tier One includes technologies in the infancy stage, with little data to support adoption rates. These technologies include QR and 2D barcodes, interactive in-store solution software, and audio fingerprinting applications.

Tier Two technologies are in “survival mode,” with little data to support whether or not these technologies are actually moving the needle on shopper marketing. These technologies include: E-circulars, in-store TV networks, online daily deals, third-party location apps (like Foursquare and Facebook), third-party shopping apps, and social networking pages.

Tier Three technologies are retail technologies that are in the growth phase, like branded apps, mobile search, and mobile display ads. Marketers are working to build these channels and platforms, and customer adoption has reached a critical mass. Finally, the fourth tier involves digital methods that have earned a “permanent place” in the toolkit of shopper marketers. These technologies include: text messaging, retail-specific content, email, and brand websites.

Discussion Questions:

Which types of electronic media are most popular with consumers? Which are the least popular?
According to the research presented in the article, shopper marketers can rely on text messaging, email, retail-specific content and brand websites to best reach customers. Branded apps, mobile search, and mobile display ads are growing in popularity with customers. Electronic media that have not quite caught on with shoppers yet include 2D barcodes, interactive in-store software, and audio fingerprinting applications.
How to Leverage Mobile to Combat Showrooming

Chantal Tode, May 31, 2012, Mobile Commerce Daily

Use with Chapter 3, “Multichannel Retailing” and Chapter 15, “Retail Communications Mix”

Mobile devices like smartphones have made it extremely easy for customers to compare prices among retailers while in stores, thus increasing the frequency of showrooming. Showrooming occurs when customers use brick-and-mortar stores to inspect a product and then use a mobile device to find the best price online. However, mobile devices can also help retailers combat showrooming.

Showrooming continues to concern retailers; merchants are realizing that they have to find more ways to entice customers to stay in the store and purchase in-store. A recent research study indicates that 71% of consumers shopping for electronics compare prices online and 49% of online shoppers have visited a store to examine an item before they purchase it online.

Retailers are now developing creative strategies to use mobile, the technology that prompted showrooming, to now combat showrooming. One way is to give shoppers a way to check-out at the store using a mobile device. Retailers can also provide rewards to customers for shopping in store. Target, for example, uses a Shopkick app that gives customers points for walking around a store and scanning products. These points can be redeemed for various rewards. Retailers can also use mobile to deliver coupons to customers based on previous shopping history. Some retailers are actually considering accepting other retailers’ coupons when presented in store. Another strategy includes offering free shipping to customers who purchase online while in a brick-and-mortar store. Retailers can also use location-based technology to deliver tailored, local messages to customers to drive them in-stores.

Other non-technology related tactics to combat showrooming include: offering unique services in-store that cannot be found online, offer exclusive items that can only be purchased in-store, and training employees to interact with customers they see using their smartphones in-store.

Discussion Question:

How can bricks and mortar stores combat showrooming?

Bricks and mortar stores can use mobile technology to drive customers to stores by offering exclusive coupons and services to in-store shoppers. Retailers can also offer exclusive in-store merchandise and services to customers who shop bricks-and-mortar stores versus online.

Back

E-Commerce Elite

Susan Reda, September 2011, Stores Magazine

Use with Chapter 3, “Multichannel Retailing,” and Chapter 15, “Retail Communications Strategy”

STORES magazine recently conducted a survey of a few dozen retailers, vendors, analysts, and overall experts in retailing, to discuss the online retailers that are delivering the best user experiences in 10 different key areas of business. The study indicates that for e-tailers to be successful, they have to excel at integration, implementation, and execution. After in-depth conversations with these individuals, STORES magazine has compiled the following list of the 10 e-commerce elite that went above and beyond in certain key areas.

On-Site Search: Winner- bhphotovideo.com

B&H Photo and Video is an institution for selection and deals on cameras and electronics. This Manhattan based retailer is a favorite of photo professionals. Bhphotovideo.com uses a simple and intuitive search and navigation system that provides the customer with a user experience that is “immersive and relevant.”
Check-Out Process: Winner-Amazon.com
Amazon shoppers only have to key in payment data one time, and Amazon’s steal trap memory will retain that information for all future purchases. The payment system will store multiple addresses and payment options making checkout a cinch. Amazon.com also offers 1-Click, which allows customers to sign in to their Amazon account and check out with just the click of the button. Amazon recently announced the Amazon Prime delivery option. Members can opt-in for a $79 annual fee and receive two-day free shipping on all orders.

Multichannel Experience: Winner- BestBuy.com
40% of Best Buy’s online purchases are now picked up in Best Buy stores. Best Buy has perfected the art of cross-channel shopping, by providing customers the convenience of online shopping with the comfort of physically touching and reviewing the product in stores.

Integration of Online Video: Winner- QVC.com
QVC enjoys online conversion rates of 15 to 20%. QVC attributes this success to its online videos and product reviews. These videos are excerpts of TV presentations that showcase product demonstrations and discuss key product features. Showing customers the proper way to use a product, and all of its features, reduces dissonance and post-purchase regret. For QVC, these online videos replicate a one-to-one retail shopping experience for the online customer.

Presentation of Product Information: Winner- Crutchfield.com
Crutchfield, an electronics retailer created by Bill Crutchfield 37 years ago from his mother’s basement, is a “standard of excellence” and customer service. Crutchfield uses creative ways to provide customers with as much product information and reviews as possible. If you click on any item on Crutchfield.com, the product overview immediately pops up. Also included are tabs for hands-on research, features, specifications, accessories, and reviews. Although Crutchfield has annual sales of $250 million (a relatively small retailer), it has still won 11 consecutive Circle of Excellence platinum awards for its online customer service.

Innovation: Winner- WetSeal.com
Wet Seal has been able to lift e-commerce revenues despite the sluggish economy. In 2008, Wet Seal launched the Fashion Community on both its website and Facebook. This initiative eventually extended to its stores where Wet Seal added kiosks where shoppers could scan an item and view outfits created by other Wet Seal consumers. In 2009, Wet Seal added iRunway, which gave consumers access to a library of user-generated outfits and ratings. This library can be accessed via mobile devices. Customers can also use this app to instantly shop Wet Seal.com or find store locations.

Personalization: Winner- Netflix.com
Website personalization is a challenge, but Netflix has mastered the art. Since its inception, Netflix has been gathering customer information to fuel its recommendation engines. The more a shopper uses Netflix, the more Netflix is able to improve on the personalized genres it offers customers. Netflix recently introduced several new features that play an even greater emphasis on movie discovery. Customers can now set preferences on moods, storylines, and qualities. Approximately 60% of Netflix users use the recommendation service to select movies.

Lastmile/ Fulfillment: Winner- Zappos.com
Zappos believes in the WOW factor with its customer service. Zappos.com offers 365-day free returns, 24/7 customer service, and 110% price protection. Zappos also offers free shipping and sometimes upgrades customers to free, overnight shipping. For many customers, ordering a pair of shoes at 11:00 pm online and having them arrive at your doorstep the very next day is sometimes more convenient than going to the shoe store.

Honorable Mention: Staples.com

**Mobile Site: Winner- ebay.com**
Many analysts consider ebay.com to be the most aggressive m-commerce retailer-oriented site, with projected sales of $4 billion this year from mobile transactions alone. Customers are increasingly using their smartphones for purchases. Ebay.com offers customers a seamless shopping and selling experience across multiple device platforms. Ebay.com is trying to blur the boundaries between the online and offline experience for the customer.

Honorable Mention: Target.com

**Social Media: Winner- CharlotteRusse.com**
Very few retailers are actually integrating social media well into their e-commerce strategy. Charlotte Russe does. Charlotte Russe’s social media campaign includes Facebook, MySpace, YouTube, Twitter, and features promotions, online polls, fashion news and more. Charlotte Russe initially launched a campaign called ShopTogether to help teens in their prom dress search. Teens could use ShopTogether to browse, chat, shop and compare online via social media outlets. After the quick success of that program, Charlotte Russe developed a full scale social media program to encourage user-generated content and social engagement. One of the best components of this campaign is the retailer’s weekly trivia contest on Twitter. Customers have to visit the website to answer the question.

Honorable Mention: VictoriasSecret.com

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**SocNet Crowdsourcing Has Mixed Results**

*October 21, 2011, Retail Wire*

Use with Chapter 3, “Multichannel Retailing,” and Chapter 15, “Retail Communications Mix”

Crowdsourcing involves letting consumers take control of some (or all) of your promotional activity, primarily through the usage of social networking as a word-of-mouth catalyst. A recent study indicates that firms with an existing fan base and positive brand reputation will receive more favorable results from social media crowdsourcing versus companies that use crowdsourcing to help introduce a newer brand.

Colgate is an example of a brand that used crowdsourcing effectively to reach a new, broader audience. In the summer of 2011, Colgate launched the “Smile” campaign with a dedicated Facebook page for consumers to upload pictures of themselves smiling. Colgate then used these images to create collage posters for point-of-sale displays. A recent survey indicates that this campaign made users 2.5 times more likely to discuss purchasing toothpaste with their friends. The “Smile” campaign also had a positive impact on Colgate’s brand image.

Nando, a casual dining chain, asked customers to upload videos that included the noises they made when someone says the word “Nando.” Nando created a special webpage for the “Nando’s Noise” campaign. The webpage also included an interactive feature incorporating beat-boxer Reggie Watts; customers could add their own clips to play in conjunction with Reggie Watts’ beats. This campaign was successful with some consumers because of the humorous and interactive feel; other consumers used the campaign as an opportunity to highlight the benefits of a competing brand.
Uniqlo, a Japanese clothing retailer, has a “Worldwide fanpage” with close to 250,000 likes. The fanpage is specifically for Uniqlo fans, also known as Uniqlovers. These customers are great ambassadors for the brand. This fanpage is successful at encouraging a positive discussion of the brand and all the related Uniqlo stores and products.

**Discussion Questions:**

**What is crowdsourcing?**
Crowdsourcing involves letting your customers take control of some of your promotional activities, primarily through social networking.

**How are brands using crowdsourcing?**
Brands are using crowdsourcing to encourage word-of-mouth and to stimulate a conversation about their products. Many brands, like Colgate, are using crowdsourcing for a specific campaign, like the “Smile” campaign. Uniqlo, on the other hand, is using crowdsourcing to encourage consumers to act as brand ambassadors.

**Do you believe that crowdsourcing can be an effective component of a retailer’s communication strategy?**
Ask students to discuss the advantages and disadvantages of crowdsourcing. Advantages may include: positive word-of-mouth from a reference group member, increase brand awareness, promotion of the brand and products. Disadvantages may include: brand has less control over what is said, potentially negative feedback, or uninterested customers.

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**Reimagining Retail**


Use with Chapter 3, “Multichannel Retailing”

The proliferation of mobile and smartphone technologies has provided retailers with a unique opportunity to connect with customers. However, a recent survey by Retrevo found that 43% of smartphone shoppers have downloaded a retailer’s app, but only 14% of customers actually use it to help them purchase an item. Many retailers are losing mobile market share to tech retail giant, Amazon.com. Amazon.com has an app that allows customers to scan an item from any retail location and purchase it directly from Amazon.com via their smartphone.

Research indicates that most retailer apps are less successful because they don’t actually “do” anything that adds value for the customer. New technologies are available that retailers can develop to completely transform the traditional shopping experience, add value for customers, and level the playing field with companies like Amazon.com.

These new technologies include:

1) **Previsualizing your purchase** – If a customer wants to purchase a couch, they can take a picture of the room where the couch would be placed. The picture of the room is then saved to an app that knows the furniture inventory of the retail store where the customer will shop. Once the customer picks out a couch that is the right size, shape, and fabric, the customer can swipe the phone over a sensor and an image of the couch will be uploaded to the picture of the customer’s room. This allows the customer to visualize how the couch will look in the living room.

2) **The personal touch- via cell phone**- When customers walk into a store, they can automatically check-in through the retailer’s app. Retailers can offer rewards points for checking-in that can be used towards later purchases. The apps can also use social trends, web trends, input from your friends and social circles, to guide you to the products in the store that best fit your needs.

3) **Shelf tags that talk back**- Retailers can use smart-lamp technology to communicate with customers without using a mobile app. This product senses when a customer picks up an item off a shelf. The smart-lamp technology then projects images
and interactive video onto the shelf giving the customer more information about the product and its uses. Retailers can also use projection technology to guide shoppers through the store to specific items and departments.

4) No more checkout lines- Gone are the days of traditional tender types like credit cards, cash or check. Now, with technologies like Google Wallet, customers can swipe their phones over payment sensors. Eventually retailers can use mobile payment options to eliminate all queues; customers can gather products that they want and pay for them with a single swipe from a mobile device anywhere within the store.

Discussion Questions:

Are customers using retailer-provided apps?
According to Re trove, only 14% of customers with a retailer app, actually use it. Retailers are not currently adding value with their apps.

What could retailers be doing with smartphones and other technologies to stimulate sales?
Retailers could use available technologies to make a more meaningful connection with customers and add value to the customer’s experience. For example, retailers can use mobile apps to reward customers for frequenting a store. They can also use information from customers’ social circles to alert customers to potential products they might be interested in. Retailers can also use payment applications to reduce the amount of time customers have to spend in line and to expedite the shopping process.

Back

Rethinking Retail Scale

Carol Spieckerman, October 25, 2011, Retail Wire

Use with Chapter 3, “Multichannel Retailing”

The Internet revolutionized the way that consumers shop and search for information. However, many retailers have found it challenging to integrate their online business with their brick and mortar business. Many retailers operated online and in store as separate business functions that sometimes competed with each other. Retailers are now recognizing the importance of integrating these two functions to provide a seamless shopping experience for the consumer. Retailers are no longer focusing separately on their virtual shopping carts and in-store traffic. Rather, they are identifying opportunities for linking sites to their stores.

Many retailers are implementing technologies that allow customers to order products online and pick up in stores. Walmart’s new Express concept is a smaller format store designed to target new markets traditionally served by dollar stores. Walmart Express, however, will also serve as pick-up locations for the over 40,000 items that Walmart sells from its online site. This site-to-store functionality will be an added competitive advantage for Walmart as dollar stores and other retailers don’t have that capability. Target, perhaps in an effort to compete with Walmart, announced that it will bring its online operations in-house as well. Target is also opening up smaller format stores, called City Targets. These City Targets, along with traditional Targets, will soon also have site-to-store integration capabilities.

Even e-tailers, like the behemoth Amazon, are trying to develop site-to-store options. Currently, Amazon is beta-testing a site-to-store integration with 7-11 stores. A 7-11 location in Seattle holds a stack of lockers in it that belong to Amazon. Customers who choose an in-site pick up of their online Amazon purchases will receive an email when their purchases are delivered to the 7-11. This email will give them a barcode that when scanned reveals a PIN number to open the lockers. Customers can then quickly retrieve their purchases. If this initiative is successful, it might be ready for rollout to other 7-11 stores by summer 2012.

Discussion Question:

What are retailers doing to provide a seamless experience for customers across channels?
Traditionally, retailers treated their online and in-store business as separate businesses. Now, many retailers like Walmart and Target, are offering customers the option of purchasing items online and then picking them up in stores. This integrates the online shopping experience with the in-store shopping experience and allows consumers to connect with retailers at multiple touch points.

**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.*

**Retailers Woo the “Mission Shoppers”**

*Matt Townsend, Bloomberg Business Week, November 10, 2011*

*Use with Chapter 4, “Customer Buying Behavior” and Chapter 18, “Customer Service”*

Today’s consumer is going to the mall less often. First, consumers research products on the Internet. Then they go to stores armed with this information in search of the exact product that they are looking for. Customers no longer stick around stores and browse. These savvy customers are called “mission shoppers” because their shopping trips are
focused and defined; they are on a mission. These customers visit fewer stores per trip; it was five before the recession and now it is down to three. This means that retailers have to make the most out of every customer who comes into the store.

Over the past three years, retailers have focused on improving e-commerce and mobile applications, but have neglected the store, often cutting staff to a bare minimum. Now, retailers are trying to figure how to better manage the in-store customer experience.

Gap’s Old Navy brand is adding more greeters to its stores. In addition, it has remodeled 1,000 of its locations to have a racetrack format that encourages customers to circumnavigate the store and view more merchandise. Old Navy also added more items at the checkout, including Mad Libs and Superhero lunchboxes, to promote impulse purchases. Lowe’s is giving its floorwalkers iPhones that they can use to check inventory for customers. Foot Locker is retraining its employees on how to engage customers in a conversation about shoes.

Other stores like Body Central, a Jacksonville based apparel chain, groups its clothes into categories like “club wear” and “casual wear” to make shopping easier for the customer. Pacific Sunwear gives its salespeople iPads so that they can create virtual outfits for customers. Brookstone added Wi-Fi and iPads to its stores to demonstrate how many of its products can be operated with a mobile app.

**Discussion Questions:**

**Why are customers spending less time in stores?**
*Customers are researching product information online and deciding which products to buy before they go to a store. So, they are shopping less at stores and spending more time shopping online.*

**What are retailers doing to stem the tide?**
*Retailers are trying to invest more in the in-store experience for customers by making it more enjoyable and easier to shop.*