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

- **Cash in a Flash** (Chapter 15)
- **Apple Stores Outsell National Average by 17 Times** (Chapter 6)
- **Sears-Where America Shopped** (Chapters 2 and 5)
- **How to Leverage Mobile to Combat Showrooming** (Chapters 3 and 15)
- **Outdoor Retailer Patagonia Puts Environment Ahead of Sales Growth** (Chapter 1)
- **Social Media’s High Maintenance Customers** (Chapter 18)
- **A Great Time to Go Shwopping** (Chapter 5 and 15)
- **Shopper Marketing: Mobile Up, Daily Deals Struggling** (Chapter 3 and 15)
- **Amazon Leaps Into High End of the Fashion Pool** (Chapter 5 and 6)
- **A General-Store Race is On** (Chapters 2 and 12)
- **Macy’s Regroups in Warehouse Wars** (Chapters 6 and 10)
- **7-Eleven Finds a Niche by Adapting to Indonesian Ways** (Chapter 5)

If you are interested in the text book please visit [www.mhhe.com/levy8e](http://www.mhhe.com/levy8e). Simple registration is required to gain access to the newsletters and other instructor materials. If you would like to see this newsletter and the previous editions, go to: [http://www.warrington.ufl.edu/mkt/retailcenter/research/publications.asp](http://www.warrington.ufl.edu/mkt/retailcenter/research/publications.asp)
Teaching Tips

Short Videos Available on the Web

**Use with Chapter 16 Store Management.**
Apple raises pay to store employees
http://online.wsj.com/article/SB10001424052702304765304577478903919636114.html?mod=dist_smartbrief#articleTabs%3Dvideo

**Use with Chapter 3 Multichannel Retailing or Chapter 17 Store Design and Visual Merchandising**
How do you design the best possible custom bike shop experience? Adaptive Path worked with Mission Bicycle to create a simple way for customers to confidently design their dream bicycle in the company's new retail space.
http://vimeo.com/5718960

**Use with Chapter 12 Planning Merchandise Assortment**
Supermarket’s are offering wedding cakes
http://online.wsj.com/article/SB10001424052702303836404577476592711486970.html?mod=dist_smartbrief#articleTabs%3Dvideo

**Use with Chapter 1 Introduction to Retailing or Chapter 5 Retail Strategy**
Strategy of a small independent retailer
http://www.theatlantic.com/video/index/251308/

Additional Material for Teaching Retail Classes

A website, part of the University of Florida Miller Center for Retailing Education and Research, provides materials for retail class instructors including:

- Nine syllabi from instructors
- Classroom exercises
- Team projects
- PowerPoint slides
- Copies of this newsletter and previous issues
- List of retail links, cases and videos

The website is available at
http://warrington.ufl.edu/mkt/retailcenter/teachretail/

Please consider sharing your materials with other instructors through this website by sending your course syllabi, classroom exercises, projects, teaching types, etc. to bart.weitz@warrington.ufl.edu or mlevy@babson.edu
Cash in a Flash

Janet Groeber, May 2012, Marketing Daily

Use with Chapter 15, “Retail Communications Mix”

Cash mobs are a recent phenomenon started last year in Buffalo, N.Y. Cash mobs involve mobilizing a flash mob with $10 to $20 cash to spend on merchandise. The goal is for these customers to spend this money at an independent, local retailer. When Christopher Smith started the cash mob in August, 2011, he did so with the intention of giving business owners a chance to meet new customers and build long-term relationships with them.

The concept of cash mobs has caught on through word-of-mouth, social media, and considerable media attention. Over 200 cash mobs have taken place in over 35 U.S. cities, as well as Canada and Australia. These cash mobs are typically organized by different groups, but the goal is always to support local businesses. Many cash mobs turn into a social event. On March 24th, numerous retail establishments and customers celebrated Cash Mob Day, to support various local economies. One example involves Nature’s Bin, an organic food store in Lakewood, Ohio, that helps people with disabilities train for jobs in retail. On Cash Mob Day, over 300 people spent $9,000 at Nature’s Bin. The organizer of this cash mob points out that cash mobs are not a political or social movement, and are not meant to solve economic problems, just to support local businesses and have fun doing it!

Discussion Questions:

What is a cash mob?

A cash mob occurs when a group of customers are mobilized with $10 to $20 cash in hand to spend at a local, independent retailer.

How are they being organized and used by retailers?

Cash mobs are organized by local groups or individuals to support local economies. Retailers should use these cash mobs as an opportunity to connect with new customers and build long-term relationships with them.
Apple Stores Outsell National Average by 17 Times

www.electronista.com, April 19, 2012

Use with Chapter 6, “Financial Strategy”

Apple stores have the top sales per square foot among U.S. retailers. In fact, Apple outsells the average brick-and-mortar outlet by 17 times with average sales of $5,626 per square foot, versus the $330 average.

The median average of the top 20 best retailers shows that the average for the remaining 19 stores is $787 in sales per square foot. Most of the other retailers in the top 20 are specialty retailers, warehouse retailers, and jewelry firms including: Coach, lululemon, GameStop, Costco, Signet, Polo, Whole Foods, Best Buy, Zales, Walgreens, CVS, Limited, Sam’s, Aeropastale, J Crew, BJ’s Wholesale, Urban Outfitters, and Guess. Apple’s nearest retail competitor, Tiffany & Co., has sales-per-square-foot that are nearly half of Apple’s.

Not only is Apple leading in sales, it is also leading in growth. Apple leads all other U.S. retailers with 70.5% in sales across its 327 stores. Lululemon Athletica is the second place finisher with 45% growth.

Discussion Questions:

What type of financial productivity measure is discussed in this article?

*The article primarily discusses sales-per-square foot as a productivity measure. This is the total sales of the store divided by the square feet of a store. Apple’s average sales-per-square-foot is nearly double that of its closest competitor, Tiffany.*

What are the top retailers in terms of this productivity ratio?

*Apple’s average sales-per-square-foot is nearly double that of its closest competitor, Tiffany. Other retailers in the top 20 include pharmacies, specialty retailers, grocers, and warehouse stores.*

Why is Apple so good?

*Ask students to discuss why they believe Apple is leading the way in sales-per-square foot and growth, compared to competing retailers. Is it the customer service? Product selection? Or a combination of both?*
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 card-holders 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 their parents shopped or it is the only option in their home town.

Back
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.
Patagonia, a high-end outdoor clothing and gear company, wants to show the competitive marketplace that a firm can have strong sales and also care about the environment. The firm was the first to make fleece jackets from recycled bottles and it donates 1% of its sales to environmental causes. Patagonia co-founded the Sustainable Apparel Coalition that now includes Target, Walmart and Levi Strauss, that is committed to reducing the environmental impact of retail and manufacturer operations.

Patagonia is privately held, so its finances are not public. However, Patagonia opened 14 new stores in the last year and executives claim the company had $540 million in sales in the past 12 months ending in April 2012. These sales numbers show a 30% increase over the previous year and triple the profits since 2008.

According to Patagonia executives, customers are willing to pay premium prices like $25 for a t-shirt and $180 for a light jacket because they know that Patagonia made the products in an environmentally friendly and stable environment. However, retail analysts believe that Patagonia’s environmental initiatives are not the only things that have contributed to Patagonia’s success. Patagonia has a reputation for making products that are better than the competition. In addition, outdoor product sales in the U.S. have increased in general, and Patagonia has benefited from this trend. Patagonia has been savvy with its operations, by consolidating global factories and focusing on Internet sales.

Patagonia’s commitment to the environment continues to be a priority for the firm. The founder of Patagonia, Yvon Chouinard, has asked the state of California to file benefit corporation papers for Patagonia. A benefit corporation allows public companies, historically required to serve the interest of the shareholders first, to adopt policies that have a positive impact on the environment and society even if it might not benefit shareholders. Chouinard filed benefit corporation papers to ensure that if Patagonia became public after he and his wife passed on, the firm would continue to donate to environmental causes without fear of negative shareholder repercussions.

Discussion Questions:

What does Patagonia do to help the environment?

Patagonia does numerous things to help the environment. Patagonia uses sustainable practices and materials in developing its products. The company also works with other retailers to increase sustainability in retail practices across the country. The company is also committed to donating a portion of its sales to sustainable and environmental issues.
Social Media’s High Maintenance Customers

Tom Ryan, Retail Wire, May 7, 2012

Use with Chapter 18, “Customer Service”

American Express recently conducted a survey with over 1,000 U.S. consumers as part of its Global Customer Service Barometer study. This survey yielded some interesting results that impact both customer service and social media.

- In the past year, 17% of customers surveyed have used social media at least once to elicit a customer service response.
- Customers who use social media for customer service will spend 21% more with companies they believe provide great customer service. The general population only spends 13% more with companies they believe provide great customer service.
- 85% of customers who use social media for customer service have walked away from a purchase because of poor customer service perceptions. In the general population (those who do not use social media for customer service), only 55% have walked away from an intended purchase.
- 42% of customers who use social media for customer service will tell others about their positive experience; 53% of customers who use social media for customer service will tell others about a bad service experience.
- The top reasons customers use social media for customer service are: to seek a response from a company about a service issue, praise a company for a positive service encounter, use word-of-mouth to share information about a service experience, express frustration about a poor service experience, seek knowledge from others about service experiences.

American Express conducts this survey annually; businesses use this information to better improve their customer service experience. For example, 60% of the customers surveyed said that companies have improved their social media response times over the past year.

While social media continues to grow in popularity with customers, speaking to a live representative or communicating via email, continues to be the most popular way customers engage with firms regarding service inquiries.

Discussion Questions:

How do customers using social media for customer service differ from the general population?

Customers who use social media for customer service are more likely than the general population to: spend more with companies they believe provide good customer service, walk away from a purchase if the service is bad, and share positive and negative service experiences with others.
Why do customers use social media for customer service?

Customers use social media for customer service to seek a response from companies about a service issue, praise a company for a great service experience, share information about a service experience, ask others about their service experiences, or express frustration about a poor customer service experience.

What should retailers do with this information?

Retailers should recognize that customers who use social media for customer service are a vocal group of customers who are more engaged with the company than customers who do not use social media for customer service. Therefore, retailers should make sure that they are engaging the customer using social media and responding quickly to customer service issues, both positive and negative, via social media.
A Great Time to Go Shwopping

George Anderson, Retail Wire, April 27 2012

Use with Chapter 5, “Retail Market Strategy” and Chapter 15, “Retail Communication Strategy”

Shwopping is part of a sustainable fashion initiative launched by U.K.’s Marks and Spencer earlier this year. Shwopping involves customers bringing in an unwanted piece of clothing every time they purchase a new item. All the clothing that Marks and Spencer collects will be reused, resold, or recycled through Oxfam. Oxfam is an international human rights and anti-poverty organization. According to the CEO of Marks and Spencer, the company believes that as the U.K.’s biggest retailer, it has a responsibility to encourage the national retail landscape to pursue more sustainable initiatives. The ultimate goal of shwopping is to keep clothes from ending up in a landfill and to repurpose these clothes.

Marks and Spencer sells approximately 350 million clothing items a year. If consumers are on-board with shwopping, this initiative could make a huge impact on landfills. Marks and Spencer reminds customers that they used to throw away plastic bottles, now they recycle them without thought. The goal of shwopping is to treat clothing the same way. The Charity Retail Association in the U.K. said that it was excited to see a large commercial retailer make such a concerted effort to reuse clothing through charity shops.

To promote the shwopping initiative, Marks and Spencer is using an integrated marketing communication strategy involving TV, print, online, social media, in-store merchandising, and campaign spokespeople.

Discussion Questions:

What is shwopping?

*Shwopping is a sustainable fashion initiative where customers are asked to trade-in an unwanted piece of clothing every time they purchase a new item.*

Is this a new idea?

*The term “shwopping” is relatively new, however, the concept has been around for a while. Many retailers, especially electronics retailers, have offered discounts to customers to bring in used electronics to trade in for newer items. Marks and Spencer is the largest organization to launch a campaign like this.*

Is shwopping just the right thing to do, or could it also have an impact on a retailer’s bottom line? Explain your position.

*Ask students if they think that Marks and Spencer is implementing shwopping because it is the right thing to do or if they believe that they are doing it for the good publicity and potential impact on the company’s bottom line. Perhaps, Marks and Spencer has implemented shwopping for both reasons.*
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.

Back
Amazon Leaps Into High End of the Fashion Pool


Use with Chapter 5, “Retail Market Strategy” and Chapter 6, “Financial Strategy”

Much to the chagrin of many retailers and manufacturers, Amazon is now going after the high-end fashion market. After taking significant market share in the publishing, electronics, and toy industry, Amazon has decided to tackle the high-end clothing business by investing heavily and sparing no expense in wooing both customers and manufacturers.

Although Amazon has sold clothing for years, it has only recently begun to sell high-end and contemporary brands like Michael Kors, Vivienne Westwood, Catherine Malandrino, and Tracy Reese. To attract more contemporary manufacturers and customers, Amazon has taken drastic measures like hiring three women just to try on size 8 shoes all day and write reviews. Amazon is also shooting about 3,000 fashion images a day for its website. Amazon has attempted to enter the luxury market when it bought shoe site Zappos.com in 2009 and Shopbop in 2006, but it has yet to enjoy the category domination it has in other product categories. With $5.7 billion in cash, Amazon can afford to do things that its competitors cannot. For Amazon, the move to luxury is about economics. The costs are the same for it to ship a $10 book or $1,000 outfit, and gross profit dollars are higher on fashion items.

Still, many brands have stayed away because they feel that the website looks commoditized and does not connote luxury. Some brands believe that the best way to kill a business is to sell product for less on Amazon. However, Amazon is working hard to overcome that bias. The company is now featuring models spinning and posing to show off clothing, rather than traditional static poses. In addition, Amazon has also hired models, stylists, and make-up artists to showcase these new brands.

Some brands are beginning to see the benefits of selling to Amazon. First, Amazon does not ask for markdown money like many large retailers. Second, Amazon has a broad audience that offers brands more exposure. Finally, Amazon is investing heavily in the contemporary market to make it easier for brands to work with them.

Discussion Questions:

From a financial perspective, why is Amazon going into higher end fashion apparel?

The gross margin dollars per item are much higher with contemporary and high-end merchandise than with Amazon’s average item. The expense to sell and ship the item are the same and do not increase with the more expensive item. This results in a higher net profit margin.

Why did some fashion manufacturers refuse to sell to Amazon and why are they changing their minds?

The fashion brands did not want to do business with Amazon because they believed it would hurt their image. These brands are changing their minds now because there is so much potential business and Amazon is investing heavily to woo these brands.
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.*

Back
Macy’s Regroups in Warehouse Wars


Use with Chapter 6, “Financial Strategy” and Chapter 10, “Information Systems and Supply Chain Management”

Macy’s is following a recent retail trend by allocating space in its brick-and-mortar stores for mini-distribution operations to better fulfill online orders. Amazon began the trend by creating super-efficient warehouses within miles of most major population centers.

Prior to this shift, Macy’s had a hard time reconciling online orders and in-store merchandise. For example, a limited-line Chanel item was sold both online and in-stores. The item sold out half of its online inventory in the first day, but Macy’s had to discount the merchandise significantly to get it to sell through in the brick-and-mortar stores. In order to better manage inventory, Macy’s is converting 292 of its 800 plus stores with expanded storerooms and updated inventory management technology. This shift will save Macy’s money because online orders can now be filled by stores that are closest to the consumer. Customers will also receive their merchandise faster, thus improving customer service perceptions. However, running stores as warehouses takes more time and labor than what the stores are currently used to.

Some analysts argue that retailers attempting this new distribution strategy like Nordstrom and Target, will not achieve the same results as Amazon. Amazon’s distribution centers are extremely high-tech and Amazon does not have the restrictions of managing a multi-channel strategy that includes brick-and-mortar stores. However, throughout the economic recession, Macy’s has been one of the strongest retail performers with an increase in first quarter profits (2012) of 38% and online sales of 6.8% in 2011. Macy’s has proven that it is able to adapt to online retailers and shifts in consumers’ tastes.

Discussion Questions:

What are Macy’s and Nordstrom’s doing to more efficiently utilize their inventory?
Retailers like Macy’s and Nordstrom’s are allocating space in their brick-and-mortar stores as mini-distribution centers to fill online orders.

What are the advantages and disadvantages of such a strategy?
The advantages are that consumers will receive their merchandise faster. Retailers will be able to better manage their inventory as well. The disadvantages are that this strategy will require an increase in time and labor as well as updated technology.

How do these retailers hope their key financial ratios will be affected by adopting these changes?
a. Gross margin may improve because less merchandise has to be marked down.
b. Expenses increase because it is a more costly way to fulfill orders
c. Net profit margin may or may not improve since gross margin improves, but expenses go up as well.
d. Inventory turnover may improve because sales increase without an increase in average inventory.
e. Asset turnover may improve because inventory turnover improves.
f. GMROI improves because gross margin and inventory turnover improves.
g. ROA may improve depending on whether net profit increases or not, even though asset turnover improves.
h. Sales per square foot increases because sales increase without an increase in selling space.
Where can you find twenty-somethings hanging out in Indonesia? You will see them hanging out at tables with beer, iced coffees, snacks, Wi-Fi, and sometimes even live bands. No, this isn’t a trendy bar or coffee shop, this is 7-Eleven.

Ten years ago, young people in Indonesia, hung out street-side food stalls, called warungs. However, Indonesia has experienced rapid economic growth that has also inspired social change. The director of 7-Eleven’s Indonesian franchisees says that people in Indonesia want to talk about their lives and gossip, and 7-Eleven’s format gives them a better quality alternative to warungs.

7-Eleven's Indonesian franchising strategy is to blend small supermarkets with inexpensive ready-made food and seating. The seating attracts customers because many cities have little outdoor recreation space and traffic jams that limit mobility. 65% of the franchise’s customers are under the age of 30. To reach them, 7-Eleven uses social media, and has already accumulated 57,000 Twitter followers and 44,000 Facebook fans.

To appeal to the local culture, 7-Eleven also had to rethink its sales strategy. Indonesian 7-Eleven’s offer ready-made fried rice, doughnuts, and Big Gulps as well as beer and wine-coolers. The alcohol sales receive approval from the community first.

In Indonesia, 7-Eleven’s packaged foods allow the store to compete with McDonald’s, Dunkin Donuts, and KFC. For 7-Eleven, positioning itself as more hangout and less convenience store has proven successful for the store and its owners in Indonesia.

**Discussion Questions:**

**What is 7-Eleven’s target market and retail format in Indonesia?**

7-Eleven’s Indonesian target market is primarily made of customers under 30 that are looking for a place to hang out and socialize with friends. Its retail format includes prepared foods, beer and wine, coffee, and snacks. Indonesian 7-Eleven stores also offer customers tables to hang out and sit with each other.

**How is 7-Eleven’s strategy different in the U.S.?**

7-Eleven stores in the U.S. don’t encourage customers to hang around; they primarily focus on convenience and getting customers in and out. Indonesian 7-Eleven stores also offer specialty prepared foods that many U.S. 7-Eleven retailers do not offer.