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

- **Is the (Daily) Deal Finally Done?** (Chapter 15)
- **Lingerie on 6; Lobster on 9** (Chapters 5 and 17)
- **Hospitality Dwarfs Service** (Chapter 18)
- **For $2 a Star, an Online Retailer Gets 5-Star Product Reviews** (Chapter 15)
- **Some Shoppers Rebel Against Giant Web Retailers** (Chapter 5)
- **The Shopping Science Behind Lucky’s Revamp** (Chapter 17)
- **Target Looks to Battle Pricing App** (Chapter 14)
- **Store Brands Step Up Their Game, and Prices** (Chapter 13)
- **Pricing Transparency** (Chapter 14)
- **JC Penney Reinvention Is Bold Bet, but Hardly Failsafe** (Chapters 5 and 14)
- **Stores to Workers: Wear What you Sell** (Chapter 16)

If you are interested in the textbook 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:
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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/

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
Is the (Daily) Deal Finally Done?

Doug Stephens, February 2, 2012, Retail Wire

Use with Chapter 15, “Retail Communications Mix”

In the beginning of 2011, retail conversations focused on the daily deal, with companies like Groupon growing at a rampant pace. Consumers were jumping on daily deals. However, many companies were struggling to determine what the actual redemption rates would be and statistics started to show that the daily deals were insufficient as a tool for long-term customer acquisition.

Critics of the daily deal felt that it would never be a self-sustaining business. Daily deals, critics said, were no different than deals, discounts and promotions that retailers have always used as marketing tactics to drive short-term growth. Companies like Groupon and Living Social had not reinvented the price-cut promotion, but just found a way to digitize it and reach broader audiences.

The future of the daily deal is unknown. Analysts believe that daily deals will be absorbed by larger online entities and that companies like Amazon, Google, and Facebook will have a daily deal as part of their marketing strategy. Few daily deals are expected to survive as independent businesses.

Discussion Questions:

What is the difference between daily-deal online sites like Groupon and a really good price discount?

Daily deal sites like Groupon are able to reach larger audiences than traditional discount offerings. However, daily sites like Groupon charge companies to promote the discount and thus reduce retailer margins.

What do you think is the future of daily-deal online sites?

Ask students if they think that daily-deals are a sustainable business model. Do they use daily deals?

Should Groupon have sold to Google when it had the chance?

Considering that demand for Groupons and daily-deals is decreasing, many might agree that Groupon should have sold to Google when given the opportunity. A sale to Google could have expanded Groupon’s presence globally as well as provide Groupon with financial support.

Back
For many, the department store restaurant is a distant memory of past shopping days. But the department store restaurant is making a comeback as a tool for adding value to customers and encouraging customers to stay in the store longer. For example, Saks Fifth Avenue launched Café SFA on the eighth floor of the store. The view alone, including the Rockefeller Center and rooftop gardens, is worth the price of the $19 BLT frittata and the café’s famous $9.50 carrot cake.

Bloomingdale’s has the Le Train Bleu suspended in between the sixth and seventh floor. The elegant dining room of Le Train Bleu is elegantly outfitted and decorated like a railway car. Bloomingdale’s also offers a more casual option called Forty Carrots, which is famous for its frozen yogurt.

Macy’s lures customers with its Cellar Bar and Grill. The Cellar offers classic American fare and displays Macy’s memorabilia throughout the restaurant. More elegantly decorated is Fred’s at Barneys New York. Fred’s is handsomely decorated and offers luxurious food like the $36 lobster club sandwich.

Bergdorf Goodman houses two of the best restaurants in New York. BG Restaurant offers shoppers a view of Fifth Avenue and Central Park. Guests can enjoy meal service or afternoon tea. Bergdorf’s also offers customers access to Goodman’s, located at the bottom of Bergdorf’s. Goodman’s is sleek and club-like and offers customers food like sweet pea soup, Gotham salad, and chicken breast sandwiches along with an assortment of irresistible-sounding desserts.

Discussion Questions:

Why do some stores, particularly department stores, have restaurants?

Department stores have restaurants for several reasons. First, restaurants add to the shopping experience and are another way for the store to connect with the customer. Second, department store restaurants keep customers in the store longer.

Do you or have you eaten in department store restaurants? Would you if they were available to you? Why or why not?

Ask students to share any experiences they have had with eating at department store restaurants. Does this format appeal to them?
Hospitality Dwarfs Service

Tom Ryan, January 19, 2012, Retail Wire

Use with Chapter 18, “Customer Service”

Danny Meyer owns 25 restaurants in New York City ranging from Shake Shack to Gramercy Tavern. Mr. Meyer believes that hospitality is the “most powerful differentiator” for his businesses, and involves relating with customers at a more emotional level. Good service, Meyer believes, is expected of businesses now. Good service, in its most basic form, involves providing a quality product and efficiently delivering it. Companies who do this are doing the bare minimum, according to Meyer. Companies like Trip Advisor and Yelp offer customers the opportunity to highlight companies’ service shortcomings. With online rating systems like this, restaurants have to at least provide the bare minimum of service or face an online assault.

Mr. Meyer claims that retailers have to work harder to differentiate around quality and service. He believes that retailers have to create a memorable experience for customers. Meyer hires people with a high HQ (hospitality quotient). High HQ employees have more job satisfaction when they are making someone else happy. Meyer encourages retailers to look for high HQ employees as a means for a sustainable competitive advantage. Meyer believes that “it doesn’t cost more money to look somebody in the eye and smile and ultimately it doesn’t cost more money to hire people who care deeply about how they treat each other.”

Discussion Questions:

What is the difference between customer service and hospitality?

According to Danny Meyer, customer service just involves providing a quality product and efficiently delivering it to customers. Hospitality exceeds that by creating a personal and emotional connection between the service employee and the customer.

Is one more important than the other?

According to the article, customer service is the bare minimum for retailers and service providers. In order to create a competitive advantage, firms should focus on hospitality.
For $2 a Star, an Online Retailer Gets 5-Star Product Reviews


Use with Chapter 15, “Retail Communications Strategy”

Many consumers use product and service reviews in the information search phase of the buying process. Some companies have been known to have employees or loyal brand ambassadors post “anonymous” reviews extolling the many values of a product or service. This process has evolved and many companies are now offering a refund for customers in exchange for a write-up.

VIP Deals developed a leather case for the Kindle Fire that was receiving accolades usually reserved for high involvement purchases. VIP Deals offered customers a rebate in exchange for reviews. In early January, 310 out of 335 reviews were five stars. Customers who were shopping for a protective cover for their Kindle Fires found the VIP page selling a cover for under $10.00 plus shipping; this price was markedly lower than the official list price of $59.99. When consumers received the package, they received an invitation to write a product review and “in return for writing the review, we will refund your order so you will have received the product for free.” The letter did not directly ask customers for a five-star review but rather hinted that the company was striving for five-star scores. With this modest investment, VIP pushed its products way above the competition in this high-demand product category.

The VIP situation reflects the importance that merchants and consumers place on product evaluations. However, reviews are now drawing the attention of regulators. The Federal Trade Commission is very concerned about deceitful product reviews. Academic researchers are studying the practice of fake reviews and the long-term implications and developing mathematical models to unmask “bogus endorsements.”

Amazon has since deleted all reviews for VIP for the Kindle Fire case.

Discussion Questions:

How are some retailers and manufacturers “buying” good product reviews?

The article showcases one particular example of VIP Deals. This company offered customers a complete refund of their Kindle Fire protective case purchase in exchange for a review. While the company did not directly demand 5-star reviews, it hinted that it was seeking 5-star scores.

Assess the legal and ethical implications of “buying” reviews.

Ask students to discuss the legal and ethical implications of buying reviews. Is what VIP doing illegal? (not yet) Why could this practice be considered unethical?
How does this practice affect how you use product reviews?

Ask students how much emphasis they currently place on product reviews. Will this emphasis decrease knowing that some companies are “buying” product reviews?

Back
Some Shoppers Rebel Against Giant Web Retailers

Stephanie Clifford and Claire Cain Miller, January 15, 2012, New York Times

Use with Chapter 5, “Retail Market Strategy”

Some customers have long preferred to shop locally at mom-and-pop or independent retailers rather than frequent big box stores, as a way of supporting their local economy. This trend is now extending to cyberspace. Giant online retailers, like Amazon.com, are snuffing out the competition of smaller competitors by offering deeper discounts, easy-to-use applications, and free shipping. Big online retailers had a 19% increase in holiday spending for 2011 versus the same period in 2010. In November and December of 2011, the 25 biggest retailers (including Amazon.com, Target.com, and Walmart.com) received 70% of all e-commerce dollars spent.

Amazon is the world’s biggest Internet retailer and is the most aggressive when it comes to promotions. During the holiday season, Amazon offered free shipping, dramatic price discounts, and gave shoppers 5% off their purchases when they used the Amazon price-checking app. The last initiative really infuriated critics of the large retailer, saying that Amazon was becoming a cyber-bully.

Smaller retailers are fighting back though, and regaining customer loyalty. Lacy Simons, owner of Hello Hello Books in Maine, claims that the majority of her customers are determined to support local businesses. Emily Powell, chief executive of Powell’s Books in Portland, OR, has responded by carrying exclusive items at their store. Lori Andre, owner of Lori’s Shoes in Chicago, asks vendors to give shoes that she carries a different model name than they give other stores. This strategy discourages customers from comparing prices with online retailers. Lesley Tweedie, owner of Roscoe Village Bikes in Chicago, launched the “Buy It Where You Try It” campaign via social media. This campaign was developed in response to consumers using smartphone apps in her store to compare prices.

Discussion Questions:

How do large online retailers hurt smaller businesses?

Large online retailers, like Amazon.com, hurt smaller retailers by providing deeper price discounts that smaller retailers cannot afford to offer. Amazon.com also offers customers an easy-to-use price comparison app that allows customers to shop in store but quickly compare prices online. Many small retailers are struggling to compete with this.

What are smaller businesses doing to compete with larger retailers?

Many retailers have engaged in “Buy Local” campaigns. Other retailers have worked with vendors to carry exclusive merchandise at their stores. One retailer had her vendor change labels for her products so that consumers could not easily comparison shop.
The Shopping Science Behind Lucky’s Revamp

Christina Brinkley, January 19, 2012, Wall Street Journal

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

Lucky Brand has revamped its owned retail stores; the revamp includes major renovations and overhauls as well as attention to even the smallest detail. Lucky worked with market researchers, visual managers, and store managers to create a new format that is more shopper-focused. The store revamp is part of an aggressive growth strategy to increase revenue to more than $1 billion from less than $400 million in 2010. Lucky’s growth strategy also includes increasing the number of retail stores from 165 to 350. Lucky is also trying to showcase the brand as a lifestyle brand.

50 of Lucky’s 165 stores have undergone renovations. A few of the standouts in the new merchandising strategy include:

- Guidelines on how to roll up the cuffs on skinny jeans in store displays.
- Specific strategies for which clothes should be paired on mannequins and where to hang bracelets and other accessories.
- Upper shelves no longer hold inventory that customers have to stretch to shop. Upper shelves are now for display only, so customers do not have to stretch or ask for assistance.
- Merchandise is displayed by outfits, rather than separates, for easy shopping.
- Stores added clean white trip inside to brighten the stores and create a “cheerier” shopping environment.
- Dressing areas were redesigned to include an open area outside of the dressing rooms to create a more interactive experience.
- Lucky designed new shopping bags that reprise an earlier Lucky logo. In addition, sales associates are trained to put tissue paper in the shopping bags for every purchase to make the purchase seem more like a gift.
- Men’s jeans are stacked on shelves. Lucky’s research discovered that men like to be able to scan sizes, cuts, and washes on shelves.
- Most women’s jeans are on hangers or styled as part of a complete outfit.

Discussion Questions:

How has Lucky changed its store design and visual merchandising to improve the customer experience?

Lucky redesigned its stores to make shopping easier for customers. The majority of Lucky’s changes focused on the way the retailer was merchandising its apparel. Shelves are lowered, jeans are stacked for men and hung for women, and merchandise is now showcased in more of a lifestyle format. Structural changes include new paint in many stores and a redesign of the dressing room area.
Showrooming occurs when customers examine merchandise in stores and then use mobile apps to comparison shop and find an item at a less expensive price online. Online sales jumped 15% this past holiday season, indicating a dramatic increase in online shopping and using online tools to comparison shop. Target is exploring price changes to counter this practice. Executives from Target told vendors that Target is “not willing to let online-only retailers use Target’s brick-and-mortar stores as a showroom for their products and undercut Target’s prices without making investments” in merchandising and brand displays.

Target wrote a letter to vendors asking them to work with Target to develop exclusive items and create more differentiation. When exclusive items aren’t available, Target is asking its vendors to help the retailer match rivals’ prices. Target wants their products to have a greater point of differentiation and wants to reduce price wars that are sparked through consumer use of smartphones and mobile apps.

In order to combat showrooming, Target has also suggested to vendors the possibility of a membership or subscription-based online pricing scheme that gives regular buyers special discounts.

Analysts believe that Target won’t reverse the “showrooming” trend and that retailers like Amazon have reinvented the pricing model for retailers. Wal-Mart and Target might sell a few things at a loss, but Amazon doesn’t mind being a loss leader just to make a sale.

**Discussion Questions:**

**What is showrooming?**

*Showrooming occurs when customers visit a store to physically examine merchandise, but then use mobile apps to comparison shop and find a less expensive price online. In other words, the brick and mortar stores are acting as a physical “showroom” for customers who later buy the products online.*

**What is Target doing to dissuade customers from showrooming?**

*Target is working with vendors to create exclusive in-store items, to match online retailer pricing, and to develop a subscription-based online pricing strategy that gives regular buyers special discounts.*
Every year more consumers are adopting private label products, choosing private-label over more expensive name-brand products to save money. In addition, retailers and manufacturers are developing better private label products. In fact, some store brands have gotten so good, that many consumers are now willing to pay more for them, perceiving some store brands as a specialty item.

Nationally branded products still cost an average of 29% more than private label brands. However, private label prices are increasing at a rate of 5.3% in 2011, according to recent market research reports. Perishable, private-label, food items are rising the fastest, at a rate of 12% last year.

Retail analysts believe that the purchase of private-labels is less about low price than it used to be. Today’s consumers are turning to private-label products because of loyalty and positive experiences to certain retailers. Grocery stores like Safeway and Walmart are now investing heavily in private label brands as a way to drive loyalty. These stores are expanding lines, adding new flavors, and creating new packaging. Target is introducing its own frozen pizza and ethnic family meals in order to drive more private label sales. Stores are also investing in innovative packaging and visual presentation for their private label goods.

Private-label brands used to account for 20% of the foods and beverages consumed in American homes. However, private-label brands have now gobbled up 29% of the market share. Name-brand consumer-product companies are now fighting back and offering more coupons and discounts to gain back some of their market share.

Discussion Questions:

How are retailers adjusting their strategies for private label merchandise?

Retailers are adding more products to their private label assortment. Retailers are also investing in innovative packaging and merchandising strategies to attract more customers. The price of private label products has also increased significantly over the past few years.

Have these changes affected your purchasing behavior?

Ask students to discuss their perceptions of private label products. Do they purchase private label products? Can they always tell when a product is a private label? Do they perceive them to be the same level of quality as national brands?
Pricing Transparency

Susan Reda, February, 2012, Stores Magazine

Use with Chapter 14, “Retail Pricing”

Retailers can no longer compete solely on price to drive sales and gross margins. Fewer retailers are using EDLP and loss leader pricing strategies and more are offering strategies that are focused on analytics, optimization and personalization with consumers.

Retailers are now doing business in a transparent world where customers can comparison shop with the touch of a button. Retailers have to differentiate themselves on service and find the right pricing strategy for the right customers.

One of the biggest challenges for retailers is cross-channel pricing. This involves maintaining similar pricing strategies across multiple channels, including in-store, online, and mobile applications. Consumers are expecting prices to remain fixed for a retailer regardless of what channel the consumer purchases from. Cross-channel pricing is a struggle for many retailers because a product may be a loss leader in one channel and may not be in another. Retailer analysts suggest that consistent pricing is imperative, yet there remains a need to understand when and where conditions are right for channel-independent pricing. Kevin Sterneckert, a research analyst, suggests that “using a single-channel, consistent pricing strategy misses opportunities in the marketplace. With dramatic increases in online channel sales, retail pricing must be aligned with the consumer demand of that channel.” Thus, retailers should consider a two-pronged strategy, where prices are channel-consistent, combined with independent prices and promotions, in order to have a successful multi-channel pricing strategy.

Retailers are investing in optimization software to help them better manage pricing, especially with the challenges of multi-channel retailing. There are multiple vendors that provide this software. Price optimization tools help retailers adjust and analyze prices at the SKU level to maximize sell-through and revenue. These price optimization tools also help with promotion and markdown optimization.

Retail analysts are also expecting more individual pricing strategies to develop through 2012. For example, Safeway recently launched its “just for you” pricing, by offering individualized prices to different customers to reward loyalty and drive future purchase behaviors. Amazon.com is a leader in dynamic pricing, and will change prices from week-to-week to respond to demand and competition. Nordstrom just announced that its loyalty customers are eligible for special perks including as much as $100 in custom alterations. Companies like Kroger and Stop & Shop are offering gas discounts to their most loyal customers.

Many retailers use scientific research and data to formulate individual pricing plans. Retail analysts suggest that for stores to be successful in their strategic pricing, retailers must stay current on competitive strategies and adjust inventory assortments to accommodate shifting buying capabilities.

However, many pricing decisions are also integrated into loyalty programs. One retail expert suggests that “any good pricing strategy revolves around the ability to confuse shoppers such that they’re not sure what the price should be.” This analyst is convinced that the best pricing strategies combine both art and science.

Discussion Questions:

Why do some retailers offer different prices to different customers? How are they doing it?
Some retailers offer different prices to different customers in order to promote loyalty and incent future purchase behavior. Many retailers offer differentiated pricing strategies based on customer loyalty and frequency of purchases.

Are all customers looking for the lowest prices? Explain.

Not all customers are looking for the lowest prices. Consumers are looking for the best value. For retailers to be successful with price differentiation strategies, retailers need to understand that customers may want low prices, but it is also important to understand customers’ perceptions of value.

How do retailers like Safeway offer different prices in different stores? How do you think their customers feel about this strategy?

Retailers like Safeway offer different prices based on previous shopping expenditures, loyalty, future purchase behaviors, and product assortment by store. Some customers on the receiving end of certain price discounts may view this pricing strategy favorably. Whereas other customers may feel that they are being cheated.

Back
Ron Johnson left Apple to become the CEO of JC Penney and launched one of the most dramatic retail reinventions in history. His vision centers on dramatic shifts in the company’s pricing, promotion, presentation and product strategy. Johnson’s focus is on putting departments back in department stores and eventually remodeling JC Penney stores into locations with 100 unique shops inside. Wall Street has approved of this change with a 17% increase in the company’s stock. Johnson vowed to investors that 2012 earnings will meet or exceed those of 2010. But the real challenge comes with convincing consumers.

Beginning February 1st, JC Penney adopted a “fair and square” pricing strategy that includes everyday low prices, month-long specials, and twice monthly sales. This strategy was inspired from historical evidence that 72% of JC Penney revenues is generated from products sold at half price. JC Penney is trying to make the shopping experience and pricing strategy easier for customers to comprehend.

JC Penney is also revamping its promotional strategy. In 2011, JC Penney had 590 promotional events. It is now moving to 12 promotional events, known as “months.” Rather than spending $2 million per promotion, Penneys will spend $80 million monthly on promoting products; this leads to an expecting savings of $300 million over the next four years. The company is also going to become more brand oriented. Every month the company will develop an informative message that resonates with customers and reflects the new JC Penney. The retailer created a personality for each month that will be carried through the marketing, in-store displays and lighting.

Retail analysts and competitors are watching closely to see how much pushback the company receives from these new campaigns.

**Discussion Questions:**

**What is JCP’s new strategy?**

*JC Penney is reinventing itself and changing its pricing, promotions, and product strategies. The most dramatic difference is in the pricing strategy. The company will offer everyday low prices and fewer promotional events than ever before.*

**Will this repositioning work?**

*Ask students if they agree or disagree with JC Penney’s repositioning strategy. How familiar are they with the commercials promoting the new strategy? Are they more or less likely to frequent JC Penney given these changes?*
Stores to Workers: Wear What you Sell

Bernice Hurst, January 26, 2012, Retail Wire

Use with Chapter 16, “Managing the Store”

In 2002, the California Labor Commission told retailers that insisting that staff buy and wear brands that they sell is a practice that violates state law. The state has statutes that protect workers from being forced to buy uniforms. While buying in-store merchandise is not a uniform, the principals are the same.

In 2009, California focused its attention on Abercrombie and Fitch’s “Appearance/Look Policy” that required staff to buy the company’s clothes. Abercrombie denied any wrongdoing and insisted that discounts were offered to encourage staff to wear their clothes, but not require them.

In 2012, reports from Australian employees suggest that retailers are pressuring staff to wear new season items without fully reimbursing them. Several retailers were accused of requiring employees to even spend more than their employee discounts and allowances covered. According to Australia’s Workplace Relations Minister, retailers cannot unreasonably direct an employee on how to spend their wages. According to Australia’s Fair Work Act, all required clothing should be paid for by employers.

In the United States, associates at stores with suggested dressing receive a generous discount of around 50% in order to be able to wear more of the store’s clothing.

Discussion Questions:

How does the U.S. and Australia differ with regard to regulations concerning forcing associates to purchase and wear the employer’s clothing?

The U.S. and Australia have similar policies that try to protect employee rights and discourage retailers from forcing employees to wear the retailer’s clothing. The United States protects workers from being forced to buy uniforms, while Australia mandates that retailers pay for all required clothing.

Are retailers’ expectations for staff to dress in a certain way unrealistic?

Retail employees should act as brand ambassadors for their retail employees. Many retailers would probably strongly discourage employees from wearing clothing that is blatantly from a competing brand. However, requiring employees to stay on top of current trends and always wear the latest items might create a financial burden for retail employees. Ask students if they have experience with this policy in their own retail work environments. Do they agree or disagree with this policy?