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

- Understanding Social Media “Personas” Is Key (Chapters 3 and 15)
- Whole Foods take benefits to a vote (Chapter 16)
- Wal-Mart Gears Up Online as Customers Defect to Amazon (Chapter 5)
- Knowing Cost, the Customer Sets the Price (Chapter 14)
- U.S. Stores Learn How to Ship to Foreign Shoppers (Chapters 3 and 10)
- Costco Makes SKU Rationalization a Fine Art (Chapter 12)
- New Sites Strive to Prove That Economics of Selling Pet Food Online Have Changed Since Dot-Com Bust (Chapters 5 and 6)
- Lululemon’s Secret Sauce (Chapter 5)
- Retail Customer Experience: Eight Ways the Smartphone Can Help Your Customers Love You (Chapters 3 and 15)
- Amazon’s Move to the Real World (Chapter 3)
- Higher Payroll Leads to Better Results (Chapter 16)
- The Future Is Temporary: Retailing in a Pop-Up World (Chapter 7)

If you are interested in the text book please visit 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
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
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 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.
Whole Foods take benefits to a vote

Andrea Davis, March 29, 2012, ebn.com

Use with Chapter 16, “Managing the Store”

John Mackey is the co-founder and CEO of Whole Foods Market. As John traveled through one of Whole Foods’ 300 locations in the United States, Canada, and the UK, he noticed that employees were always confronting him asking about specific benefits that Whole Foods could add for employees. This gave Mackey an idea, to put employee benefits to a vote. Every three years, Whole Foods lets employees nominate benefit options. Employees vote on the benefit and if it receives enough votes, the benefit is added to the benefits package. This inclusion in the benefits process is part of Whole Foods culture of empowering employees and fostering innovation. This culture is part of the reason Whole Foods is consistently ranked as one of the top places to work.

An example of one of the options that Whole Foods has implemented is its total immersion health program. This program is targeted towards employees who have Type 2 Diabetes, or are at risk of developing the disease. The one-week immersion program teaches these employees about diet and exercise and the impacts on reducing the risks of the disease.

Mackey believes that empowering employees makes them better at their jobs. He believes that the culture at Whole Foods is authentic and decentralized, and customers can feel the authenticity when they shop at Whole Foods stores.

Discussion Questions:

How does Whole Foods get its employees involved in designing the benefits package?

Whole Foods encourages employees to nominate a benefit that they would like to see added to the benefits’ package. Whole Foods employees then vote on the benefit, and if the benefit is well received, it becomes an option for all employees.

How does a strong benefits package to employees benefit Whole Foods’ customers?

Benefits are often an important component in many employees’ job searches. Strong benefits packages allow Whole Foods to retain loyal employees. In addition, Whole Foods’ option to vote on benefits empowers employees and fosters a culture of innovation. This empowerment leads to more satisfied employees who share their love of their job with the customer.
Wal-Mart Gears Up Online as Customers Defect to Amazon

David Welch, March 20, 2012, Bloomberg.com

Use with Chapter 5, “Retail Market Strategy”

Five years ago, only 25% of Walmart’s shoppers also shopped at Amazon.com. Today, that number is doubled to almost 50%. Analysts believe that this growing trend is caused by Walmart’s traditional customer, bargain shoppers who earn less than $50,000 annually, to become more technologically savvy. In addition, customers who turned to Walmart to meet their needs during the recession are also rediscovering Amazon as an option for savings.

Walmart executives are now anxiously developing strategies to compete with Amazon. Walmart recognizes that Amazon as one of its biggest U.S. competitors. Walmart also realizes that Amazon is a bigger part of customers’ lives than ever before.

Walmart is playing catch-up to Amazon in four key areas:

1. Operations- Walmart’s online operations have lagged for years. In 2011, online sales amounted to only 2% of the behemoth’s revenue. Amazon has streamlined the e-commerce process and is now capable of selling items from diapers to Kindles. In 2011, Amazon posted a 41% revenue growth compared with 8% at Walmart.

2. Shopping Destination- Amazon is currently the No. 2 shopping destination for holiday shoppers. However, analysts believe that by 2013, Amazon will surpass Walmart as No. 1. To try to keep that from happening, Walmart has spent more than $300 million in acquiring web-related companies and talent to upgrade its Web platform.

3. Anytime, Anywhere- Walmart’s new internal slogan is “Anytime, Anywhere” and is clearly targeted towards competing with Amazon. Eventually, Walmart customers will be able to shop for anything online or in stores using smartphones and mobile applications. Amazon, currently has a pricing advantage on some items because it charges no sales tax in some states. However, Walmart’s same-day, in-store pick up gives the retailer an advantage as more than half of online shoppers pick up their purchases in stores. Walmart.com is also launching a “Pay with cash” initiative towards the 20% of customers who don’t have bank accounts or credit cards.

4. Scan Items- Many customers scan Walmart’s aisles and then use their smartphones to purchase the same items online, often at Amazon. To compete, Walmart is launching the “Endless Aisle” initiative where if a customer sees an item in the store, and the store doesn’t have the desired color or size, the customer, can order the product online.

Discussion Questions:

Who is Walmart’s biggest competitor?
Walmart considers Amazon.com to be one of its biggest competitors in the United States.

Why are Walmart customers defecting to Amazon?
Customers are defecting to Amazon because they realize that they can find as many, if not more, bargains at Amazon.com than at Walmart. In addition, Amazon has a streamlined supply chain and is more convenient for online purchases.

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Knowing Cost, the Customer Sets the Price

Stephanie Clifford, March 27, 2012, New York Times

Use with Chapter 14, “Retail Pricing”

Traditionally, retailers have had the power to dictate prices to customers. However, with an increase in Internet shopping and shopping comparison apps, customers now have the upper hand. If retailers don’t want to negotiate with customers on price, customers simply turn to Amazon and eBay. This change in the balance of power has caused many retailers to scramble to develop pricing strategies that scrap the old model of markups and discounts, but still generate profits.

J.C. Penney, for example, has introduced a streamlined pricing model that includes daily prices, month long specials, and clearance prices. Mango has cut all prices by 20% beginning this spring. Steinmart has reduced the number of coupons it offers by 50% and is getting away from the falsely high priced tags. Supervalu, a grocery chain, has decreased heavy promotions and gone to a lower pricing model on over 200 items. Supervalu is adopting an everyday fair pricing strategy. Urban Outfitters and American Eagle Outfitters are both redoing their pricing strategies to reduce dependencies on promotions.

These retailers believe that “customers know the right price” because they have researched and are experts. Ron Johnson, chief executive of J.C. Penney, claims that higher prices do not make customers spend more. He gives the following example:

An item that cost Penney’s $10 in 2002 was typically marked up to $28. By 2011, a $10 item has been marked up to $40. But the price the customer actually paid for the $10.00 item increased only 5 cents during that period- to $15.95 from $15.90. Until 40% off, the customer doesn’t even pay attention.

Shoppers today are conditioned to wait for a sale and know when prices are intentionally inflated. J.C. Penney’s new pricing model is intended to break that mindset by cutting prices about 40% and rounded prices to the nearest dollar. The store also offers a tiered pricing strategy. This pricing process was intended to simplify pricing, but many customers are confused and sales associates are having a hard time articulating the pricing strategy to customers. Some analysts believe that this pricing strategy takes the sport out of discount hunting.

Discussion Questions:

What is the trend in retail pricing described in this article?

Many customers are beginning to haggle with retailers about pricing. Retailers are now trying to streamline their pricing strategies to make it “easier” for customers and to reduce the propensity of customers to argue over prices.

Which retailers are experimenting with changing their pricing strategies?

J.C. Penney is currently undergoing a major pricing shift by offering everyday low prices, reducing their prices by 40%, eliminating coupons, and offering a tiered pricing strategy on clearance. Companies like Steinmart, Mango, and Urban Outfitters, are reducing their promotional campaigns and offering lower prices on their merchandise. Supervalu is reducing the number of coupons it offers and cutting prices on staple purchases.

Do you believe the new pricing strategies will work? Why or why not?
Ask students to specifically discuss J.C. Penney’s pricing strategy. What are their thoughts? Is this too confusing? Do consumers want coupons and promotions?

Are there situations in which you haggle over prices in stores?

Ask students whether or not they haggle over the price of items in the store. What product categories are they more likely to haggle over price? Ask students when they would feel most comfortable or most uncomfortable haggling over price.

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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.
Costco Makes SKU Rationalization a Fine Art

Denise Leathers, March 22, 2012, Retail Wire

Use with Chapter 12, “Managing the Merchandise Planning Process”

While many warehouse clubs and discount chains are trying to grow their product assortments, Costco is keeping their assortment limited with an average of 3,950 SKUs versus Sam’s Club’s 5,250 and B.J.’s 6,890. Costco executives believe that although customers say they want more variety, too many choices actually make shopping more difficult. In addition, the low count helps prevent stock-outs.

At Costco, with its limited assortment, shelf space is at a premium. Every item within a category competes with every other item. For example, if refrigerated biscuit dough doesn’t sell as well as cream cheese, Costco will stop carrying the biscuit dough.

On a recent trip to Costco, analysts noted that there were only eight SKUs in ice cream and six SKUs in frozen vegetables. However, there were ten SKUs in frozen appetizers and ten SKUs in frozen snacks. That is because these items sell better than other products in the frozen food category. Costco works very closely with its partners to develop successful product strategies. Costco uses a brief 13-week commitment for new items. If they do not sell well enough during that time, they are pulled from the shelves.

Costco’s is willing to pull the plug on products that aren’t performing and is committed to trying new products. This keeps the SKU count stable, but the assortment constantly changing.

Discussion Questions:

Why is Costco’s assortment planning strategy different than its competitors?

Costco offers a limited assortment compared to that of its competitors. The amount of SKUs Costco offers is significantly less than Sam’s Club and B.J.’s.

How does Costco apply ABC analysis?

An ABC analysis identifies the performance of individual SKUs in the assortment plan. Costco compares the performance of individual items with the rest of the product category. If an item is not performing as well as another item in the product category, Costco removes that product. Costco also evaluates new products after 13-weeks. If the product is not performing, Costco removes the product from the shelf.

Do consumers like more or less assortment?

According to Costco leadership, consumers prefer less assortment because it makes the decision process easier. Ask students their preferences for more or less product assortment.
New Sites Strive to Prove That Economics of Selling Pet Food Online Have Changed Since Dot-Com Bust

Stu Woo, March 6, 2012, Wall Street Journal

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

Alex Zhardanovsky founded PetFlow.com Inc with $10 million in venture capital in order to prove that the pet category can be successful online. PetFlow.com was founded in 2010 and now ships about one million pounds of pet food a month. Zhardanovsky expects sales to be around $30 million for 2012 versus $13 million in 2011.

PetFlow.com is one of several new pet-based web ventures sprouting up around the country. MrChewy.com and Wag.com have both generated venture capital in the past month. PetSmart Inc and Wal-Mart are also exploring opportunities to sell animal food and pet products on the web.

Each of these businesses considers the cautionary tale of Pets.com, founded in 1998, and shut down in late 2000. These new companies believe that while the cost of selling pet food is still high and expensive to ship, the relative costs of starting on-line ventures have decreased dramatically since the days of Pets.com. Analysts believe that it costs three to five times as much to launch an online company a decade ago than it does now. In addition, there are far more consumers shopping online than when Pets.com was founded. In 2000, 1.2% of overall commerce was online, versus 7.2% today.

At PetFlow, it only cost $50,000 to launch the company. PetFlow hired a third party logistics provider to store and ship its products. In addition, PetFlow works on a subscription model, where over half of its customers automatically enroll for continuous pet food delivery. This guarantees a certain level of monthly sales.

With PetFlow’s unique business model, the company hopes to avoid some of the pitfalls that plagued Pets.com.

Discussion Questions:

Why might online pet food stores be successful today, when they failed a decade ago?

Pet food stores are set up for higher success rates than they were a decade ago. First, there are more consumers purchasing products online versus a decade ago. Second, the start-up costs, fixed costs, and variable costs for online companies is much lower today than it was ten years ago.

How would key strategic profit model ratios be different for these online stores today than they would have been in the past?

Although sales may be higher at today’s companies, there is nothing in the article that would indicate that gross margin percentage would be higher or expenses would be lower. So, there is no reason to believe that the net profit margin would be lower. We could expect, however, inventory turnover to be higher because inventory systems are more efficient. Also, the fixed assets may be lower, resulting in a higher asset turnover.
Lululemon was founded in 2000 by Chip Wilson after his first yoga class in 1998. Since then, Lululemon has created a mini-empire out of yoga clothes; the market value of Lululemon is worth over $10 billion even though the store’s sales were only $712 million in 2011. In the first quarter of 2012, Lululemon booked $1,800 in sales per square foot—three times more than Neiman Marcus. Over the past three years, Lululemon has posted 30% growth in nine consecutive quarters, versus previous quarters. Many retail analysts are regarding Lululemon as the retailer to beat, but they are also wondering how Lululemon can sustain this continued growth. Margins have slipped recently because of increased product costs. However, many analysts believe that international expansion is a major opportunity for Lululemon and will help fuel its meteoric growth.

Lululemon bucks traditional retail strategies by not using software to gather customer data, limiting the number of stores opened annually, avoiding discounts and promotion strategies, and purposely stocking less inventory on shelves to create a feeling of exclusivity. Lululemon believes in staying connected to customers and cultivating a sense of scarcity with its unique product assortments. Lululemon executives spend hours in stores eavesdropping on customers. For example, Chief Executive Christina Day, was recently in a store in Whistler, British Columbia and overheard women claiming that the sleeves of a certain sweater were too tight. She cancelled all future orders. Day also encourages store associates to listen to customers for complaints, comments, and suggestions.

Lululemon also works hard to cultivate scarcity in stores so that items seem fresh. New colors and seasonal items only get 3, 6, or 12 week life cycles. However, Lululemon works to keep core items like black yoga pants constantly in stock to avoid stock-outs. Lululemon’s unique strategy allows the store to sell most of its merchandise (95%) at full price.

Discussion Questions:

What does Lululemon do differently than other successful retailers?

Lululemon does not use software to gather customer data. Lululemon also limits the amount of inventory it puts out and avoids discounts and promotions. Lululemon fosters a sense of scarcity and exclusivity, encouraging customers to purchase while the iron is hot.

If you were an executive at Lululemon, which of the strategies and activities described in the first question would you continue or discontinue? Explain your answer.

Ask students what they think about Lululemon’s current strategies. How would they respond to these strategies? Are these strategies what students typically see in successful retailers.

Will Lululemon be able to successfully continue to make decisions without the help of sophisticated IT systems as they grow?

Lululemon has achieved great success so far. However, a customer relationship management system would help them get to know their customers better. While listening to customers the store level is great for obtaining information and feedback, Lululemon will probably want to develop a data warehouse system to house all this information, especially as they continue to grow. Additionally, sophisticated inventory management, assortment and pricing optimization will be critical to its success in the future as it outgrows its homespun notions of how to run a retail operation.
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.

1) 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.

2) 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.

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

4) 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.

5) 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.

6) 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.

7) 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.

8) 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.
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.
Higher Payroll Leads to Better Results

George Anderson, March 20, 2012, Retail Wire

Use with Chapter 16, “Managing the Store”


Retail jobs are big business as the retail industry in the United States is one of the largest industries. However, most of the positions within retailing are relatively low-paying as many retailers attempt to keep costs down in order to compete more effectively in the marketplace.

However, many recent studies, including one published recently on The New Yorker’s website, indicates that retailers who pay their sales associates more are usually able to generate higher sales per square foot and are more profitable than their lesser paying competitors. Another study done by researchers from the Wharton School of Business indicates that retailers are able to generate new sales between $4 and $28 for every additional dollar spent in payroll. This study found that the more employees a retailer staffed, the more customers got their questions answered quickly, products were stocked on shelves faster, and checkout times were faster. In addition, customers at stores with more employees felt higher levels of satisfaction with their overall shopping experience.

Companies like Trader Joe’s and Costco have higher labor costs and are still able to compete on price, an provide the appropriate level of customer service.

Discussion Question:

Does it pay to pay retail employees more?

Yes, recent studies found that retailers who pay their employees more have higher sales per square foot than their competitors, as well as higher levels of customer satisfaction.

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The Future Is Temporary: Retailing in a Pop-Up World

Doug Stephens, February 21, 2012, Retail Prophet

Use with Chapter 7, Retail Locations

For years, pop-up stores seemed like an impossible dream. It was just too challenging, too expensive, and too demanding to keep finding and moving to new locations and then ensuring that customers knew where to find them. But the financial crisis and related drop in rents in many major cities has given new life to the innovative idea.

The benefits accrue not only to the retailers but also to the cities in which they are located. For example, Oakland, California, offered free rent for six months to sellers that would move into downtrodden urban neighborhoods—the “Pop Up Hood.” The idea was that by demonstrating how retailers could survive, the city ultimately would benefit from a revitalized area and future rent and tax revenue.

Although Jay-Z and Kanye West probably do not need the rent break, they still turned to the pop-up concept to release their *Watch the Throne* in New York City. The appeal of this form of pop-up retailing stems mainly from its exclusivity and hip image. Because the store was open only for one weekend, only consumers in the know were able to take advantage.

Urban locations also appeal to retailers whose usual formats usually do not fit the setting. The epitome of big box retail Walmart thus has used pop-up stores to reach customers who normally would have to make a massive commute to reach one of its larger format stores.

Finally, it appears that technology is helping make the pop-up more creative and interesting. When Net-A-Porter launched a line by Karl Lagerfeld, it pasted its pop-up store with an “augmented reality” interaction for customers who connected through their smartphones. Thus it appears that trends are converging, making pop-up stores a potential wave of the future.

Discussion Questions:

1. What benefits to pop-up stores offer for (a) retailers, (b) cities, and (c) consumers?

   (a) For retailers, pop-up stores offer a more convenient point of access that costs less than building an entirely new storefront, as well as an excellent means to build excitement. (b) Cities like Oakland that make use of pop-up stores to promote themselves as a great location for retailers to move are likely to enjoy long-term benefits from greater development. (c) Consumers can access a wider variety of store options when they are not limited to permanent establishments. They also get the fun and excitement of pop-ups.

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