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

- **Hot 100 Retailers** (Chapters 1 and 2)
- **Abercrombie & Fitch Losing its Edge** (Chapters 2 and 5)
- **Merchants and Shoppers Sour on Daily Deal Sites** (Chapter 15)
- **IKEA Brings Fall Catalog to Life Through Augmented Reality** (Chapter 15)
- **Twitter Lets Customers Skip Recordings, and Make Choices** (Chapter 15)
- **In-store Clinics Look to be a Remedy for Healthcare Law Influx** (Chapter 18)
- **Firms Take Online Reviews to Heart** (Chapters 15 and 18)
- **Embracing the Web, Boutiques Thrive** (Chapter 3)
- **Why Shopping Will Never Be the Same** (Chapters 1 and 5)
- **Secret E-Scores Chart Consumers’ Buying Power** (Chapter 11)

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: [http://www.warrington.ufl.edu/mkt/retailcenter/research/publications.asp](http://www.warrington.ufl.edu/mkt/retailcenter/research/publications.asp)
Teaching Tips

Additional Material for Teaching Retail Classes

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

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

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

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
Hot 100 Retailers

David P. Schulz, Stores Magazine, August 2012

Use with Chapter 1, “The World of Retailing,” and Chapter 2, “Types of Retailers”

This year’s top retailers list is dominated by three categories: grocery retailers, trendy fashion retailers, and technology based retailers.

Grocery retailers are hot because of food price inflation and increased opportunities to provide customers with a unique market place and shopping experience. Sprouts Farmers Market and Lowe’s Market Place are both in the Top 10 for 2012’s hottest retailers. Sprouts is poised for continued growth as it expands in the natural-and-organic supermarket niche with expected sales close to $2 billion in 2012. Lowe’s Market Place is a family business that operates in Texas and the southwest. Also in the top 100 are Kroger, Whole Foods Market, Trader Joe’s, Aldi, Publix and H-E-B.

In the Top 10, trendy fashion apparel also rules including Michael Kors (high-end fashion), Lululemon Athletica (yoga wear), and Under Armour (athletic apparel). Michael Kors focuses on fragrances, apparel, accessories, and footwear for both men and women.

Lululemon provides customers with high-end yoga wear; the company’s mission statement is to “elevate the world from mediocrity to greatness.” Under Armour produces and sells athletic apparel to professional sports players as well as consumers seeking casual every day wear. These three fashion retailers were recognized for their continued sales growth as well as their ability to create brand advocates who are willing to pay full-price for their products.

Technology based retailers in the top 10 include Verizon Wireless, Apple, and AT&T. Apple is known for its “wow” technology. Verizon is the largest wireless provider in the United States with 107.8 million connections in 2011. AT&T has 103.2 million customers with more than 80% of new contracts involving a smart phone.

Number 2 on the Top 10 list is Amazon.com. Not only have Amazon’s sales increased year-over-year, but Amazon continues to innovate and change the e-commerce landscape.

Discussion Question:

What are the top retailers and what makes them so good?

The Top 10 retailers are mostly grocers, fashion forward brands, and technology companies. These companies are able to thrive in a competitive marketplace by providing customers with innovative products and meaningful product assortments.

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Abercrombie & Fitch Losing its Edge

Sapna Maheshwari, Marketing Daily, August 22, 2012

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

Abercrombie & Fitch was once one of the edgiest brands in America; its controversial catalogues outraged parents and delighted teenagers. Abercrombie began by selling safari and camping gear to aficionados like Theodore Roosevelt and Ernest Hemingway. In 1992, Mike Jeffries took over as Abercrombie’s CEO and turned the company into a teen emporium where coolness and sexiness met Ivy League. Jeffries capitalized on Abercrombie’s reputation for quality. To make the brand more edgy, Jeffries recruited attractive all-American teens and college-aged kids to model products and work in the store. From 1995 to 2008, Abercrombie boasted sales more than 20 fold and net income more than 56 fold.

In 2008, the economy crashed, and consumers’ tastes changed. Consumers were no longer interested in $70 jeans that they could purchase for $40 elsewhere. Abercrombie did not alter its retail model to accommodate changing customer tastes and soon customers moved on. Since 2008, Abercrombie has closed 71 U.S. stores. Abercrombie is counting on international growth to keep the brand afloat; however, Europe suffers economic woes as well and Abercrombie’s international same-store sales dropped 26% in the second quarter of this year.

Abercrombie, as a fashion brand, has to compete by being edgy and cool. Today’s teenagers are no longer interested in the Abercrombie brand. Many are turning to American Eagle Outfitters, a retailer that sells similar styles at lower price points. Today’s teenager has a more individual style of his/her own; they are no longer interested in wearing what everyone else is wearing. In order for Abercrombie to win this customer back, it will have to develop creative ways to make the brand resonate with today’s fickle teenager.

Discussion Questions:

Why is A&F having so much trouble?

Abercrombie is struggling because it has not adapted to meet the changing needs of its customers. The economic recession caused customers to lose interest in the higher price points of Abercrombie products. In addition, many customers feel that Abercrombie’s brand is less relevant and that it has lost its edginess and coolness.

Do you believe it can recover?

Ask students if they think that Abercrombie can recover from its recent sales decline. Do students shop at Abercrombie? What are their perceptions of the brand? How have their perceptions changed over the past 5 -10 years?
UnsubscribeDeals.com has 7,800 subscribers who value its service of unsubscribing customers from daily deal e-mails. Daily deal services like Groupon, LivingSocial, and Google Offers were once the hottest trend in retailing because they offered businesses a way to attract new customers and shoppers got a great discount. However, both businesses and consumers are now growing tired of the daily deals. During the last half of 2011, almost 800 daily deal sites shut down. Groupon grew just 3% during the second quarter of 2012 and is now valued at $3 billion, which is half of what Google offered to pay for it in 2010. Gilt City, a daily deal service owned by Gilt Groupe, laid off employees and closed offices in six cities this year. Analysts of the industry suggest that, although there are no barriers to entry in this market, there are numerous barriers to success.

So what went wrong and why are companies and consumers losing interest in daily deals? Small businesses tired of the daily deals for several reasons. First, many companies are not prepared for the crowds and don't have the infrastructure to support the at-once traffic. Second, the paperwork to keep track of the coupons is difficult for some small businesses to manage. Third, few of the customers that use daily deal sites actually return to the business after the initial purchase. Finally, many small businesses lose money by offering such steep discounts to attract customers. Businesses also felt that by offering these steep discounts they were devaluing their products.

Shoppers are growing disenchanted with the daily deals as well. For one thing, there are so many options now that customers are bombarded with daily deal offerings. In addition, many customers say that they lose money because they are unable to use the coupon before the expiration date. Some customers also claim that businesses discriminate against them when they come in with a daily deal offer.

Discussion Questions:

What is currently happening in the daily deal business?

Customers are growing weary of constantly being inundated with daily deal offerings. Customers are choosing to remove themselves from daily deal list serves. Businesses are also losing interest in daily deals because the deals often cost them money.

What are the advantages and disadvantages of daily deal sites like Groupon from the retailers’ perspective?

From the retailers’ perspectives, daily deal sites like Groupon are meaningful because they help them attract new customers and appeal to a wider audience. A major disadvantage for retailers is that some of these customers end up costing them money; often retailers are not equipped to handle the increased traffic generated from a daily deal offering.

What do you think will be the future of daily deal sites?

Ask students their thoughts on the daily deals. Do they use daily deal sites? Do they believe that the daily deal industry is sustainable?
IKEA Brings Fall Catalog to Life Through Augmented Reality

Lauren Johnson, Mobile Commerce Daily, August 14, 2012

Use with Chapter 15, “Retail Communications Mix”

IKEA is using mobile marketing to further engage with its customers. IKEA understands the role that smartphones play in facilitating buyers’ shopping experiences and hopes to integrate its mobile technology applications into the consumer’s daily life. According to IKEA, mobile technology made up 10% of its traffic in May 2012. This is a 250% increase over May 2011.

IKEA is using its mobile technology to “enhance the experience” customers have with its catalogue. IKEA’s app is available for iPad, iPhone, and Android devices. Consumers can use the app by holding their devices over a catalogue page to unlock additional content such as videos, 3D images, and models of additional IKEA products. Users can also switch the colors of items in the catalogue and get additional behind-the-scenes views of rooms.

IKEA is also using Pinterest to display its fall products. Customers can follow IKEA on Pinterest to win prizes and gain sneak peeks at upcoming merchandise. IKEA is also piloting an app that lets customers create shopping lists and check their lists against product availability in nearby stores. IKEA also uses mobile advertising and applications to promote seasonal events, such as back-to-school and holiday shopping.

Discussion Questions

What do IKEA’s new apps do?

IKEA’s new apps allow customers to engage with IKEA’s catalogue more. Customers can use the app to scan their smartphones over a page in the catalogue to get additional product information, as well as enhanced images. Customers can use the apps to see what products would look like in different colors and in different rooms.

If you were shopping for furniture or home furnishings would you use these apps? Why or Why not?

Ask students whether or not this app is attractive to them. Why would they use or not use an app like this? When shopping for furniture, would students rather use an app or see the merchandise in person?
Companies began using Twitter to broadcast one-time promotional offers or special savings events. Many companies now use Twitter for more than just promotional messages; Twitter has become a resource for customer service as well. For example, Southwest Airlines uses Twitter to alert customers about delays and Best Buy uses Twitter to respond to questions and complaints.

Traditionally, customers who had questions about a product or service had to call up the company’s customer service line and sit through a bunch of pre-recorded voice prompts. Now customers can use Twitter to get immediate feedback from businesses. For example, if a customer has a question about a company’s returns’ policy, they can send a Tweet and get an instant response without having to sit through voice commands.

Penske, a car rental agency, implemented its Twitter customer service program over a year ago. Before implementing its program, Penske spent an entire year observing how customers were using Twitter for customer service issues.

Penske trained call-center employees to use the new technology and uses these employees to monitor the Twitter feed from 7 am to 11 pm daily. Now, customers having questions about car rentals can Tweet Penske and, to the delight of customers, the response is almost instantaneous. Penske is outperforming Budget with its Twitter response program. For customer service programs, the number of Twitter followers does not necessarily equal success. For people without service questions, it is not necessary to “follow” the customer service program. Rather, success can be measured with the quality, accuracy, and timeliness of the company’s response to customer’s service questions posed via Twitter.

Discussion Questions

How are retailers using Twitter to communicate with their customers?

Traditionally, companies have used Twitter to promote special events and promotions. Now, companies are also using Twitter as a customer service response tool. Customers with questions can send businesses a Tweet through the company’s customer service Twitter feed. The response is usually very fast and customers can forego sitting through long voice recordings on customer service telephone lines.

What makes for a good Twitter customer service program?

Good Twitter customer service programs respond accurately and quickly to customer’s Twitter questions. For customer service Twitter feeds, success does not need to be measured by the number of followers, but by how well followers’ questions are being addressed and how satisfied the Twitter followers are.
In-store Clinics Look to Be a Remedy for Healthcare Law Influx

Chad Terhune, Los Angeles Times, July 30, 2012

Use with Chapter 18, “Customer Service”

The Affordable Care Act will extend health insurance to more than 30 million people who do not currently have health insurance. This dramatic increase may cause a burden on already strained primary care health providers. In order to accommodate the growing need for health care services, and mitigate the strain of a doctor shortage, retailers like CVS and Target are developing walk-in clinics run by nurses. These clinics will help treat basic ailments like ear infections and colds, as well as complete routine exams like blood pressure and cholesterol checks.

Currently, there are more than 1,350 in-store clinics nationwide, and that number could more than double in the next 4 years. CVS MinuteClinic, the biggest retail clinic chain, operates 600 locations with plans to open 100 more this year. Walgreen’s operates more than 350 Take Care Clinics, Walmart has 150 in-store clinics and Target has over 50 in-store clinics.

Many consumers prefer the walk-in clinic format because they are convenient, open seven days a week, and typically do not require an appointment. These clinics are usually operated in conjunction with a pharmacy as well. In addition, most insurance providers consider walk-in clinics an in-network visit, so consumers are only responsible for their co-pay.

Experts worry that walk-in clinics might be too convenient and cause unnecessary care and procedures that might further increase the country’s $2.6 trillion medical tab. The walk-in clinics might also undermine efforts to provide patients with coordinated care; this is particularly problematic for patients with complex medical concerns. The walk-in clinics, however, claim to not replace primary-care physicians, but rather to keep customers healthy in between visits.

Discussion Questions:

How could the Affordable Care Act affect some retailers?
The Affordable Care Act will extend health insurance to over 30 million people who do not have it. This will increase the demand for healthcare services. For many retailers, the ability to provide basic healthcare services will be an opportunity for growth.

What are the advantages and disadvantages of retailers providing health care to its customers from the retailers’ perspectives? From the customers’ perspectives?
From the retailers’ perspectives, the advantages of providing health care to its customers include: increased customer service, increased revenue and growth opportunities, and an opportunity to create a more loyal relationship with customers. Disadvantages for the retailer include: increased risk and liability as well as customers taking advantage of the services. From the customers’ perspectives, the primary advantage is convenience. A major disadvantage to customers is that they may not receive the quality and consistency of care that they would from a traditional physician’s facility.
Firms Take Online Reviews to Heart


Use with Chapter 15, “Retail Communications Mix” and Chapter 18, “Customer Service”

Earlier this year, L.L. Bean Inc noticed that its Supima cotton Fitted Sheets (a top seller) was receiving negative customer reviews. They quickly determined that a wrinkle-resistant treatment was causing the cotton to unravel. L.L. Bean immediately removed the item from its website, destroyed the remaining inventory, and offered new sheets to the 6,300 customers who had purchased the set. Through customer reviews, Walmart realized a problem with a prepaid wireless Internet stick. This product received an outpouring of negative reviews. The wireless carrier had neglected to activate the sticks. The problem was quickly fixed and Walmart restocked the Internet sticks two days later.

Companies like L.L. Bean, Walmart, and Amazon are now using online reviews as a quality control tool. Traditionally, it would take businesses months to become aware of a product problem, but now, customers can let businesses know instantly online. Customers tend to only write reviews in extreme circumstances, like if they are very satisfied or completely dissatisfied with a product. These companies are able to receive real-time feedback from customers and that helps them make product and quality improvements more quickly. Amazon will not remove products from its website if it receives bad reviews, but L.L. Bean and Walmart will remove products with bad reviews until the problem can be solved.

While customer reviews are a great way for companies to gain feedback and for customers to have a voice, they are also an opportunity for fraud. Some companies post inflated positive reviews about their products in order to drive sales, or they will post negative reviews about a competitor’s product. Companies like Bazaarvoice help businesses weed out the fraudulent reviews from the sincere reviews.

Discussion Questions:

How do some stores monitor customer sentiments?

Some stores like Walmart, L.L. Bean, and Amazon monitor customer sentiments by reading online reviews of their products.

What do they do about it?

If L.L. Bean and Walmart find that a product has consistently negative reviews, the company will pull the product and investigate the performance problem. They will then work to rectify the problem and return the product to the sales floor (or online). Amazon reads reviews of products, but does not remove products if they receive negative reviews.
Embracing the Web, Boutiques Thrive

Marisa Meltzer, August 1, 2012, New York Times

Use with Chapter 3, “Multichannel Retailing”

Boutique stores compete with larger department stores by offering unique product assortments, an inviting atmosphere, and personalized service. Many boutique stores are working to translate the boutique experience online by cultivating an intimate shopping experience through an electronic venue. For example, Totokaelo, a Seattle jeans boutique, will send a customer in Denver multiple pairs of jeans until she finds the one that she likes. Frances May, a boutique in Portland, wraps each outgoing package and includes a handwritten note from the owner. Frances May does about 30% of its business online and Totokaelo attributes almost 70% of its sales to its website. The Internet allows boutique stores to reach a wider audience, and consumers get the benefit of expert sales associates and personalized service.

Boutique stores know that they cannot always offer customers “the best deal” or match every price that the customer finds online. Many boutiques try to offer an assortment of products that are difficult for customers to find online to compare prices. Boutique store owners agree that their personalized service and viewpoints give them an advantage in the competitive retail marketplace. Boutiques can also communicate with customers in a unique way without the restrictions of corporate policies like large department stores. Boutiques can use social media like Facebook, Twitter, Pinterest and Instagram to engage in a more casual dialog with customers. Many boutique owners agree that the Internet is a great way for them to grow their business with no boundaries.

Discussion Question:

How can small multichannel retailers compete with the big guys?

Boutique stores, like the ones mentioned in the article, can compete with larger stores by translating the personalized in-store experience, to customers’ online experience. Many boutiques are expanding their e-commerce presence, while continuing to provide meaningful product assortments, expertise, and personalized experience to consumers.
Why Shopping Will Never Be the Same

Jon Swartz, USA Today, August 8, 2012

Use with Chapter 1, “The World of Retailing,” and Chapter 5, “Retail Market Strategy”

Retail experts believe that the current retail environment will change dramatically in the next 5-10 years. With the “convergence of smartphone technology, social-media data, and futuristic technology,” the current bricks-and-mortar format will be upended.

According to retail analysts, consumers and retailers can expect to see some of the following changes in the very near future:

- Big-box stores such as Best Buy, Old Navy, and Office Depot, will shrink in size and place more emphasis on becoming test centers for online purchases. Satellite stores for big-box and other retailers will begin opening in office and apartment buildings.
- FedEx and UPS will expand home delivery services and offer more options for refrigerated home delivery. Google will offer shipping services that deliver products from local businesses.
- 3-D printers will allow customers to produce their own products like towels and clothing.
- No one will use cash, rather products will be paid for via smart phones.
- Experts believe that the in-store experience will not be extinct, but will change dramatically. For example, sales associates will probably know consumers’ interest before the consumer even walks in the store. This information will be gathered from the consumers’ smartphone or tablet. Consumers can use their phone to learn more about products. For example, consumers will be able to wave their phone over the bar code of a DVD and see a movie trailer on their phones.

Smartphones, the continued use of cash, augmented reality, and social media are all driving these dramatic shifts in the retail environment.

Online retailing began as a way to make customers more aware of retailers’ brands. Now, retailers are using technology to determine customers’ shopping habits as well as customers’ future purchases. For consumers, there is a tradeoff between privacy and convenience and many customers don’t recognize how much privacy they are giving up.

Discussion Questions:

According to this article, what will retailing be like in the future?
According to this article, retailing in the future will be primarily driven by smartphones and other technologies. Customers will use smartphones more in the decision making process as well as to make purchases. Retailers will use more technology to explore customers’ shopping habits and future buying intentions.

Do you believe it?
Ask students whether or not they believe the retail landscape will change significantly in the next 5, 10 and 15 years. What surprises them most about the anticipated changes mentioned in the article? What trends do they think will happen first?
Companies used to use customers’ credit scores to assess their buying potential; now businesses are using e-scores to measure individuals’ potential value as consumers. These e-scores are an online calculation, also known as customer valuation or buying-power scores, and are playing an increasingly controversial role in e-commerce.

Customer e-scores are calculated by a variety of start-up firms and financial service giants using complex algorithms, as well as a tremendous amount of data. E-scores include information like occupation, salary, and home value to accurately predict spending. eBureau, a pioneer in the e-score industry, scores about 20 million American adults monthly. It takes the company less than a second to size up a customer and transmit his or her score to an eBureau client. Companies like banks, credit card providers, insurance agencies, and educational institutions are using this information to determine which customers to target and woo with special offers. In addition, many of these companies are using e-scores to determine how customers are serviced. Customers with better e-scores may be automatically routed to a specialized customer service agent, while lower e-score customers may be directed to an overflow call center.

Some federal regulators are concerned about the e-score process. Concerns include companies measuring individuals against one another, potential discrimination, and pigeonholing people based on their e-score, thus limiting their financial options. Businesses must have a legal reason before checking a customer’s credit score. The law does not extend to e-score valuation. Furthermore, while customers can monitor their credit scores, e-score information is unavailable to them. In most cases, customers don’t know who is collecting data about them and what predictions are made about them.

For businesses, though, the e-score can be a valuable tool. Companies want to use their marketing money efficiently and target customers that are going to provide a return on their investment.

**Discussion Questions:**

**What is an e-score?**

An e-score uses consumer data and complicated algorithms to determine customers’ buying power and future buying potential.

**Do you agree or disagree with companies using e-scores to target customers?**

Ask students to discuss their thoughts on the e-score. Is it an invasion of privacy? Will it help companies better use their marketing dollars? Will it limit some customers from getting access to offers because of their low e-scores?