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

- **Study: For Stores, Social Media Still A Bust** (Chapter 15)
- **Digital Tags Help Ensure the Price is Right** (Chapter 16)
- **We Snoop to Conquer** (Chapter 16)
- **Saks Trying to Up Its Omnichannel Game** (Chapters 3 and 10)
- **Malls’ New Spin on LeisureMalls** (Chapters 5 and 7)
- **Who Wins After OfficeMax and Office Depot Merge?** (Chapters 2 and 5)
- **Lighter Menus Appeal to Diners and Owners** (Chapter 5)
- **Penney Brings Back the Big Discounts it Ditched Last Year to Woo Back Shoppers** (Chapter 14)
- **Google Works on Launching Retail Stores** (Chapter 5)
- **Multichannel Retailing Myths Debunked** (Chapter 3)
- **Clothing that Bridges the Cheap-Lux Gap** (Chapters 5 and 13)

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

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
While social media is prevalent in most consumers’ lives, it is still not one of the top choices when it comes to shopping. A global study from PwC indicates that less than 15 percent of consumers buy anything through social media.

Furthermore, only 18 percent of active social media users made a purchase as a result of a social media communication. While over 50 percent of survey respondents said that they check social media sites daily, they are not using the sites to shop.

There is a bright side for retailers, though, looking to use social media to drive sales. Of the 11,000 people surveyed across 11 countries, 59 percent did indicate that they connect with brands via social media, and 27 percent said they used social media to discover new brands.

Customers in China are the exception to the rule, in that over 25 percent of respondents have already made a purchase via social media. These customers are classified as brand lovers, deal hunters, or social addicts who purchase to fit in with their reference group.

Social media is a critical promotional tool as it helps with brand building and should be part of retailers’ multichannel strategy planning.

Discussion Questions:

Are social media sites being used to purchase merchandise?

According to the article, customers are not using social media to make a purchase. Nor, are they using social media connections or information to inform their purchase decisions.

Do you expect the amount of merchandise purchased through social media to increase significantly in the coming years? Why or why not?

Ask students if they believe this trend will continue or will begin to purchase more merchandise through social media. Why do students think purchasing through social media has not become more predominant?
Digital Tags Help Ensure the Price is Right


Use with Chapter 16, “Managing the Store”

Bar codes and computerized registers revolutionized the grocery store experience. Long gone are the days of employees manually “stickering” every item in the store. Consumers expect that the current pricing system within grocery stores, using the bar code and panel system, eliminates pricing errors and discrepancies. However, most grocery stores put over 5,000 items on sale every week and remove sale prices from another 5,000 items, creating ample opportunity for price differences.

The next wave of retail technology to reduce the price discrepancies is for retailers to go completely paperless by putting digital price tags on the shelf. These tags allow retailers to wirelessly communicate price changes to tags throughout multiple locations, ensuring that the price displayed on the shelf and the one scanned at the register always match.

A digital tag maker in San Jose, California, Altierre, has spent 10 years developing the technology for digital tags. The tags can provide multiple screens of information. Altierre’s tags use black-on-gray liquid crystal displays to reduce power consumption. Altierre suggests that most stores could be outfitted with 20,000 to 25,000 tags at a cost of $5 each. The labor savings, Altierre suggests, would pay back the investment in two and a half years.

According to executives at Altierre, grocery stores have not jumped on this opportunity because they worry customers will not adopt the new technology as they are used to paper stickers. In the United States, grocery stores still cannot justify making the initial investment. The only company in the United States that has adopted the technology is Kohl’s. Kohl’s uses a large LCD screen that sits on a rack of clothes or a countertop to show a description and a sale price. This allows Kohl’s to highlight a sale price without having to change the sign.

Discussion Questions:

What are the advantages and disadvantages of electronic shelf labels from the perspective of the retailer? The customer?

The advantages of using electronic shelf labels for the retailer include reducing pricing discrepancies, minimizing inventory differences, and reducing the amount of labor time spent on changing displays and fixing erroneous prices. The advantage for the customer is that the customer is guaranteed a more accurate price and won’t have to worry about monitoring every item scanned at checkout.

The disadvantage for both the consumer and the retailer is that consumers may not adopt or respond favorably to this technology.
Retailers are able to capture large amounts of information about customers when customers make purchases or browse online. Websites can track what items customers linger on, how long they stay on a site, what kind of comparisons they make, etc. Traditional brick-and-mortar stores are unable to capture information like this until the customer actually makes a purchase. These stores would like to capture the same type of customer analytics in-stores as they get online.

Retailers already have cameras that are used to prevent theft. In addition, brick-and-mortar stores also have Wi-Fi networks to pick up mobile phone signals. Companies are now scrambling to determine how this existing technology can help them study customers in brick-and-mortar stores.

For many retailers, just knowing when and how many customers enter a store is valuable information. Now retailers are using the loss prevention cameras to study traffic data above stores’ entrances. This allows retailers to adjust staff scheduling to accommodate increases in traffic. In addition, existing crime-fighting cameras can also estimate shoppers’ sex and age and use heat maps to determine how customers move around the store. Some retailers also have mannequins with cameras in their eyes. These cameras track customers and are able to determine sex, age, and ethnicity.

Using existing mobile phone technology, retailers can determine what share of passers-by enters a store and how many people leave immediately or are repeat customers.

Retailers want to use technology to better understand customers in order to add value and meet their needs; however employing increasing amounts of technology and tracking tools may scare off some customers. Some retailers believe that customers should have no expectation of privacy when they enter a mall.

Discussion Questions:

How can retailers use in-store cameras other than catching shoplifters?
Retailers can use store cameras to examine foot traffic and determine the busiest times of the day. Cameras can also monitor what parts of the store customers are shopping in. Many of these cameras can also estimate a shopper’s sex and age as well.

How do you feel about in-store cameras watching you without your knowledge or permission?
Ask students if this kind of monitoring bothers them. Will they change their shopping behaviors knowing that they are being monitored?

If you are troubled by in-store cameras watching you, does it bother you that websites track your movement through their sites? Is there a difference? Why or why not?
Do students see a difference between being monitored on their online purchases vs. being monitored in-store? Do students have more of an expectation of privacy when shopping online vs. brick-and-mortar locations.
Saks Trying to Up Its Omnichannel Game

Sarah Mahoney, Marketing Daily, March 13, 2013

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

Saks Fifth Avenue is moving from being a multi-channel retailer to an omni-channel retailer. As part of its “Project Evolution” Saks is improving its marketing, merchandising, and customer service efforts. The company is investing heavily in integrating store and online sales. Saks has merged inventory across channels. The company has increased its efforts to update its website to include more photography and editorial and to personalize the customer’s shopping experience.

Saks is also relaunching its loyalty program. Saks’ original loyalty program began when customers spent at least $1,000. Now, customers can enroll instantly with their first purchase. Saks hopes that this makes shopping across channels easier. Saks is hoping to attract more customers and not rely so heavily on the traditional luxury customer. In order to attract these customers, Saks is shifting towards more emerging brands to make its product assortment more relevant.

Discussion Question:

What is the difference between multi-channel retailing and omni-channel retailing?

Multi-channel retailing means that retailers sell merchandise and connect with customers via multiple channels, i.e. catalog, online, in-store, etc. Omni-channel retailing means that customers have a seamless experience through all available shopping channels. Omni-channel means that retailers can track customers across all channels.
Malls’ New Spin on Leisure

Peter Evans, Wall Street Journal, February 21, 2012

Use with Chapter 5, “Retail Market Strategy” and Chapter 7, “Retail Locations”

Property managers and retailers in the U.K. are mixing shopping and the outdoors. In the next year, IntoOutdoors will open on 125 acres of English countryside. This project will combine traditional stores with outdoor attractions like cycle tracks, skateboard parks and two fishing lakes. The hope is that IntoOutdoors will lure customers to its destination with entertainment and then keep them there all day. The project will also include multiscreen cinemas, Michelin-starred restaurants, hotels, and a network of country walks.

The premise of IntoOutdoors is modeled after shopping experiences in the United States, where property managers hope to create an all-day experience. The U.K. lags behind the U.S. in mixing entertainment and retail. In addition, the U.K. economy remains stagnate and consumer confidence is markedly low. 20 percent of new shopping center space is being used for leisure activities; this is up from just 5 percent 20 years ago. Leisure venues may pay up to 20 percent less in rent than traditional retailers. However, landlords are willing to accept that as it is better than empty space and the leisure activity might keep customers on site longer.

Discussion Question

Why do property management firms want to include leisure and outdoor attractions in new mall development?

Property managers want to lure customers to destinations with entertainment options like cycling, skateboard parks, and fishing, and hope to keep them there all day so that they spend more at the surrounding shops. By including restaurants and movie theaters as well, customers can spend an entire day at a property engaging in both entertainment and shopping experiences.

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Who Wins After OfficeMax and Office Depot Merge?

George Anderson, Retail Wire, February 20, 2013

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

Staples, the leading office supply retailer, generates about $24 billion annually in sales from its stores and websites operating in 26 countries globally. Combined, OfficeMax and Office Depot, generate $18.5 billion in sales annually. The recently announced deal to merge OfficeMax and Office Depot is designed to help both companies compete with Staples by closing underperforming locations, eliminating duplicative positions, and increasing the merged company’s combined purchasing power. According to retail analysts, the combined merger could help OfficeMax and Office Depot realize between $400 million and $700 million in synergies while also creating a larger and more capable competitor that is better equipped to take on Staples and Amazon.

However, critics believe that the gap between Staples and its next two rivals is too large to overcome. Historically, mergers between two large retailers have not worked out well. Furthermore, Staples is considered a much better managed organization. Followers of the merger on Wall Street are expecting Staples to actually be the winner in this merger and capture market share in parts of the U.S. where it has historically lagged behind. Staples also has the potential to capture experienced retail professionals that might be let go in the merger.

All three office-supply chains face long-term challenges as people are using less paper, more work is going online, and there is increased competition from Amazon. Since the financial crisis began, the U.S. retail industry suffered because of too many big-box retail stores. Borders, Linens ’n Things, and Circuit City are all casualties of the recession. The fact that three office supply stores have survived this long is an economic mystery.

Discussion Question:

From an antitrust perspective, should the Justice Department allow the merger?

It will be interesting to see how the Justice Department proceeds, and if they allow the merger, on what grounds. They disallowed the proposed Office Depot/Staples merger a few years ago. The difference here is that Office Depot and Office Max combined are still smaller than Staples. But there are really only three major players in this market. A merger of two of the three may have a deleterious impact on competition, and therefore adversely affect the customer by way of higher prices.

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Lighter Menus Appeal to Diners and Owners

Stephanie Strom, New York Times, February 6, 2013

Use with Chapter 5, “Retail Market Strategy,”

Restaurants around the country are changing their menus to include more nutritional choices and smaller portions. This change is a result of increased consumer demand for healthier options, as well as pending federal regulations mandating calorie count information. Historically, customers have gravitated towards the restaurants offering larger portions. Restaurant owners are finding that making the shift to lighter options is not improving customers’ health, but it is also improving the bottom line. Lower calorie menu items are definitely one of the primary drivers of restaurant growth in today’s economy.

Healthy Dining Finder is a website that helps customers find restaurants within their zip code that offer healthy options. Website founder, Anita Jones-Mueller, estimates that the number of restaurants with vetted healthy options listed on the site has increased more than 2,000 percent in the past few years.

Federal regulations will soon mandate that food establishments with 20 or more locations post the calorie count of standard menu items. Some restaurant chains have already begun posting calorie counts. In addition to reducing calorie counts, many restaurants are also finding that cutting sodium, sugar, and fat is important to customers as well.

Some examples include:

Sbarro is offering the skinny slice with a different mix of cheese and more vegetables for 270 calories. Longhorn Steakhouse is offering smaller portions of beef for its Flavorful Under 500 menu. Wingzone is offering its Skinny Dippers, which are fried chicken breast nuggets with no breading. Mooyah, a build-a-burger chain, offers a 200 calorie turkey burger as well as a black bean vegetable burger. The company also offers customers the option of sweet potato fries instead of regular French fries. Pita Pit has a Resolution Solution menu that helps customers build their pitas using healthier options.

Discussion Questions:

What are restaurants doing to lighten up their menu? Why are they doing this right now?

Growth in the restaurant industry has been stagnant through the recession. In order to drive sales and grow the business, restaurants are adding healthier alternatives to their menus. This action is also in response to recent regulations requiring restaurants with over 20 locations to post the caloric content of their standard menu items. Many restaurants like Sbarro, Longhorn, Wingzone, Mooyah, and Pita Pit are offering smaller portions and innovative products with fewer calories to attract new customers and respond to customers’ increasing health concerns.
Penney Brings Back the Big Discounts it Ditched Last Year to Woo Back Shoppers

Associated Press, January 28, 2013

Use with Chapter 14, “Retail Pricing”

Last year, JC Penney initiated a bold pricing strategy when it completely removed all sales and implemented an everyday low pricing strategy. The philosophy behind this move was to offer a consistent pricing strategy customers could count on rather than the discounts, coupons, and sales it offered over 600 times/year. This year, the floundering department store is adding back some of those sales in the hopes of luring back lost customers.

The announcement of the return of the sales came on the one year anniversary of the firm’s decision to rid itself of the sales that its shoppers loved so much. The daring initiative to remove sales was closely watched by the retail industry, as many retailers offer deep discounts to draw shoppers. Since the pricing initiative was launched, Penney’s stock has lost more than half its value and is now trading at $19/share and the company’s credit ratings are in junk status.

However, CEO Ron Johnson is not deviating from his course. Johnson, a mastermind behind Apple’s retail stores and Target’s affordable fashion strategy, believes that the current direction is necessary to completely reinvent JC Penney. In addition to the aggressive pricing changes, Johnson also plans to add new hip brands and replace clothing racks with shops-within-stores.

Now, rather than offer multiple sales throughout the year, the company is offering discounts that vary depending on the season. For example, JC Penney will institute sales for Valentine’s Day and Back-to-School for certain items. In addition, Johnson believes that customers need help with pricing and want a reference price. The company is adding tags or signs that include the manufacturer’s suggested retail price as well as JC Penney’s everyday low price. Analysts believe that this strategy will be helpful for shoppers and will clarify some of the confusion of JC Penney’s current pricing strategy.

Even though JC Penney lost $433 million in the first nine months of the last fiscal year and had a decrease in total sales of 23.1 percent, Johnson still believes that Penney will return to sales growth some time in 2013. He advocates that his strategy is about educating customers on what products are worth and that this will eventually resonate with customers. Penney’s underwent a major transformation this past year, and the company believes that it will learn from its growing pains and this upcoming year will be the year for JC Penney.

Discussion Questions:

Describe JCP’s pre-2012 pricing/promotion strategy.

JCP’s pre-2012, and pre-Johnson, pricing/promotion strategy was to offer more than 600 coupons, deals, and sales throughout the year.

How did JCP change its strategy in 2012?

In 2012, JCP completely redesigned its pricing strategy to remove all sales and offer an everyday low price strategy. The company also underwent a major rebranding effort aimed at attracting younger customers.
What is its latest pricing/promotion strategy for 2013?

According to the article, JCP is adding back some of the sales, but only on items that are important to a certain time frame or event. For example, JCP will discount school related items during back-to-school. The retailer is also developing strategies for showing customers what the MSRP is on an item and how JCP’s EDLP is saving them money compared to the MSRP.

From JCP’s perspective, which pricing/promotion strategy do you believe is most effective? Why?

Ask students if they think that JCP is on the right track. Should they have completely removed all sales? Is adding back a few sales going to help solve the problem?

How effective have these changes been in retaining old customers and attracting new ones?

Considering that the company’s credit rating is in junk status and its stock is trading at $19/share, JCP has not been successful at retaining old customers or attracting new ones.

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Google Works on Launching Retail Stores

Amir Efrati, Wall Street Journal, February 18, 2013

Use with Chapter 5, “Retail Market Strategy”

According to some retail experts, Google Inc. is developing plans to launch retail stores in the United States. These stores will likely be based on a format similar to Apple’s retail format. Apple stores have been a large factor in the success of the iPhone and iPad. Google is hoping to follow a similar pattern and use its retail locations as a platform to sell Google-branded hardware.

The retail stores would have plenty of merchandise to stock its shelves. Google’s Android division has been developing home entertainment devices. Google has also developed the Chromebook laptop that is a lower priced lap top option that operates on the Google Chrome system. Google X is also building Google Glass that is a computing device that can be worn on a person’s face. Google stores could also showcase Google TV software that is embedded in TV sets that allows people to browse Web videos from their television.

Last year, Google acquired Motorola Mobility, a manufacturer of smartphones and tablets. However, Google is trying not to favor Motorola over other device makers like Samsung and Sony who also use Google’s Android operating system.

Discussion Questions:

If you were in charge of opening Google retail stores, what would be your retail strategy? In particular, what would be its target markets, retail format, and bases for sustainable competitive advantage?

Ask students to come up with a brief business plan for Google retail stores. Who would the target audience be? What is the best retail format and location for Google retail stores? Do students think that Google stores will enjoy similar success to Apple stores?

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Price Waterhouse Coopers recently released a report of 11,000 shoppers globally. One of the outcomes of this report was to shed some light on common myths about multichannel retailing. The study generated some unique findings on the current status of multichannel retailing.

The study found that although social media is an important way to connect with customers, it is not going to be a key resource for customers in making a purchase. Additionally, while showroaming is a big concern for retailers, physical stores are still very important to consumers and should continue to be the focus for large retailers.

The study also explores changes in the global customer. Many retailers believe that global customers are becoming more similar. However, this research indicates that customers still engage in a wide array of behaviors and should be catered to on a local level. Furthermore, the study finds that China is not the end all be all for online sales. China’s online model is unique to its culture and may not be replicated easily in other cultures with divergent tastes and shopping habits. Finally, many believe that global online players have a competitive advantage. However, domestic retailers may have better market knowledge of their local communities.

The survey also showed that online sales don’t always cannibalize sales from other channels. Customers are going to shop with their favorite multichannel retailers. And, when they do shop, price is not always the main driver. Customers are valuing innovation and quality over price.

Finally, the study indicates that tablets are not likely to take over PC’s for shopping use as tablets are more often used at the end of the purchase journey.

Discussion Question:

What are some of the common myths that this survey debunked?

This survey found that contrary to popular belief social media is not a highly used tool for making a purchase, customers still like purchasing in-store, and that it is important for retailers to understand their local markets because not all customers shop the same.
Clothing that Bridges the Cheap-Lux Gap

Nadya Masidlover, Wall Street Journal, February 6, 2013

Use with Chapter 5, “Retail Market Strategy,” and Chapter 13, “Buying Merchandise”

Customers used to have to shop in two completely different worlds: luxury or mass market. However, recently, many manufacturers and retailers have satisfied customers’ needs for something in the middle by “bridging the gap” between bargain basement fashion and high-priced designer clothing. These brands are enjoying double-digit growth as they are attracting customers from both spectrums, those who could not previously afford high-end fashion and those who are no longer interested in high-end fashion prices.

French apparel brands like Sandro, Claudie Pierlot, the Koples, and Zadig & Voltaire, are expanding into the U.S. These brands are higher end fashion that is meant to last longer than what is found at Zara or H&M. These brands intend to expand into retailers like Bloomingdale’s and Nordstrom, as well as into free-standing stores around the country. The Kooples is a brand that blurs gender boundaries and currently has seven sales locations within Bloomingdale’s. Zadig & Voltaire, known for its chic weekend wear, plans to open a flagship store in Soho this year. This expansion is a reflection of the growing demand for more selectivity and better customer service than mass clothing chains, with price tags ranging from $100 to $1,000.

Discussion Questions:

In many markets, being a middle of the road brand or retailer amounts to a perception of mediocrity in the marketplace. Yet, the brands and stores mentioned in this article tout the success of being between luxury and mass. Would you buy these brands or shop these stores if they were available in your area? Why or why not?

The brands mentioned in this article have higher price points and perceptions of luxury than traditional “middle of the road” brands. Some customers may respond favorably to this price point, yet some customers may consider the offerings still too expensive. Ask students if they are interested in learning more about these brands and whether or not they think product offerings like this would be successful in their area.