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

- Retailers Take Bangladesh Safety Matters Into Their Own Hands (Chapters 5 & 13)
- Restaurants are Turning to Loyalty Reward Apps to Lure Customers (Chapter 11)
- Walmart vs. Amazon in Online Groceries: Who Has the Edge? (Chapters 2, 3 & 5)
- How Can Retailers Make Checkout Waits More Bearable? (Chapter 18)
- Family Dollar Gains Market Share, but Profit Suffers (Chapter 2)
- Marketers Keep Up with Divergent Behavior on Smartphones and Tablets (Chapters 3 & 4)
- Kors Designs for Moms Swapping $125 Jeans with Daughters (Chapter 4)
- Attention Shoppers: Store is Tracking Your Cell (Chapter 17)
- Walgreen gets a modern makeover (Chapter 5)
- Sears Would Really Like to Sell You a $33,000 Rolex (Chapter 13)
- Dropping Loyalty Cards Puts Shaw’s in the Minority; A Disloyalty Movement? Supermarkets and Customers Drop Loyalty Card Programs (Chapter 11)
- HSN Enjoys a Mobile-Shopping Rebirth in the Digital Era (Chapter 2)

Retail Tidbits

- Will Pay-By-Face Catch On?
- Mcdonald’s Suggested Budget For Employees Shows Just How Impossible It Is To Get By On Minimum Wage
- Will Peapod Drive Sales With Its Mobile Grocery Store?
- Hot 100 Retailers: The Nation’s Fastest-Growing Retail Chains 2013

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://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
Retailers Take Bangladesh Safety Matters Into Their Own Hands


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

Retailers are taking a more proactive role in monitoring the safety initiatives at factories in Bangladesh. The factory collapse in April that killed more than 1,100 workers has sparked a sense of urgency among retailers. Retailers like H&M, Zara, and Primark (a British retailer) are working to implement an industry-wide safety pact that encourages retailers to involve themselves more with factory safety measures and adapt how they do business in Bangladesh.

Before the pact is to be implemented, many retailers are taking matters into their own hands by hiring specialists to conduct building safety checks. For example, in the beginning of summer, Tesco and Primark who both use a factory in Savar, found that the factory did not have enough steel to support its weight. Based on this finding, Tesco and Primark began lobbying with other retailers, who produce in this same factory, and wrote to the factory owner and demanded that he close the site until more inspections and repairs are done. These retailers also insisted that the factory continue to pay wages to factory employees throughout the closure.

Throughout the summer, retailers participating in the safety pact will work together to comprise a master list of factories to coordinate safety efforts. According to some members of this pact, this list could cover almost 40% of the factories in Bangladesh. This safety pact will demand that each factory on the list be inspected by April, 2014. Since May, seventy retailers (mostly European) have signed the safety pact which is legally binding. This safety pact makes retailers responsible for helping finance repairs at factory sites that do not meet safety standards. In the U.S., retailers like Walmart and Gap are working together to create a competing program that would establish a $50 million safety fund. However, this plan has created conflict with the other safety pact as many European retailers are worried that they could bankroll the repairs and benefit the Americans who aren’t participating.

**Discussion Questions:**

Why are retailers becoming more stringent about monitoring safety in Bangladesh factories?

In April, a factory in Bangladesh caught on fire and collapsed, killing over 1,100 workers. Retailers are working to ensure that this does not happen and to protect worker safety.

What approach are retailers using to improve safety in supplier locations across Bangladesh?

Retailers are collaborating with each other to pledge to work together to inspect factories and halt production in factories that do not meet safety standards. Retailers are also working together to create a master list of suppliers in order to coordinate safety efforts.

How does this differ from the traditional retailer relationship?

Traditionally, retailers work independently and compete with each other. These safety pacts show retailers working together to solve a larger, global issue.
Restaurants are Turning to Loyalty Reward Apps to Lure Customers

Julie Jargon, Wall Street Journal, July 12, 2013

Use with Chapter 11, “Customer Relationship Management”

Restaurants used to use loyalty programs as a tool for promoting repeat visits; now restaurants are supplementing these programs by incorporating mobile options to keep people eating. Loyalty apps like Front Flip and Belly are attractive to restaurants because these apps help them attract and retain customers. Apps like Front Flip and Belly provide customers with a more interactive and individualized experience than traditional loyalty programs. In the past month alone, over 30 similar mobile loyalty apps have launched.

Front Flip allows customers to use their smartphone to scan a QR code at a restaurant; this QR code will unlock a digital scratch off card that allows the customer to redeem a prize, usually a discounted menu item, on the spot. Or customers can scan the code on the back of their receipt later so that they can continue trying to win. Front Flip has over 2,000 participants nationwide and charges restaurants about $125 a month for the service.

One McDonald’s franchise owner is finding success with these types of apps because they appeal to younger customers who don’t cut coupons and it gives them a reason to keep coming back. He says he has noticed a 10% to 25% increase in sales in menu items that have been promoted on Front Flip.

Belly, another Loyalty app, is used by more than 6,000 merchants and restaurants nationwide and charges $50 to $100 per month. Participating restaurants receive an iPad which is usually placed near the register. Customers scan a bar code from the restaurant’s iPad and can earn points that can be redeemed for merchandise or discounts later. Registration in traditional loyalty programs, such as punch cards, is still much larger and continues to grow, but many customers are becoming bored with those programs and don’t want to keep up with the cards and/or want a more interactive and engaged experience. In addition, app providers claim that they can help restaurants learn more about their customers and capture better data than traditional loyalty programs.

Discussion Questions:

What are the relative tradeoffs between loyalty apps vs. traditional punch-card loyalty programs?

Loyalty apps allow the restaurant to gain more information about a customer than they would via a traditional punch-card loyalty program. In addition, loyalty apps provide the customer with a more interactive experience. However, restaurants that want to use loyalty apps have to pay for the service and are also competing with other restaurants that might use the same app.

Besides restaurants, what other retailers or businesses might benefit from loyalty apps? Explain.

Ask students what businesses might also benefit from loyalty apps. Perhaps beauty salons or health services would benefit from loyalty apps as they drive repeat visits and purchases.
Walmart vs. Amazon in Online Groceries: Who Has the Edge?

knowledge@wharton, knowledgetoday.wharton.upenn.edu, Posted on June 24, 2013


In the grocery business, online grocery sales account for only 1% of the $568 billion market. Both Walmart and Amazon are now competing to grow that number and their percent of the online grocery market share. Walmart’s CEO Mike Duke announced at Walmart’s annual meeting that Walmart is planning on investing heavily in developing a better logistics infrastructure to support online grocery sales. Amazon, as reported by Reuters, has purportedly been planning a rollout of an online grocery business for years.

Walmart is testing online grocery retailing at 35 stores, with plans to expand to 15 more. Groceries account for over half of Walmart’s U.S. sales ($264 billion) in 2012. Amazon may expand its AmazonFresh grocery service beyond Seattle to San Francisco and Los Angeles later in the year. In 2012, total online sales were $224 billion according to Forrester Research. Amazon posted online sales of $61 billion while Walmart’s estimated online sales were $7.7 billion. However, Walmart’s chain of 4,000 stores and 133 distribution centers dwarfs Amazon’s 40 unit warehouse system. Conversely, Amazon outperforms Walmart in its ability to offer lower online shipping costs.

In the battle for online grocery market share, both Amazon and Walmart have strengths. Walmart has a great distribution system, a national network of retail locations, and a favorable reputation with customers. Walmart also has a large stake in one of China’s fastest growing online grocers and can learn from its significant logistics efficiencies. Walmart will likely use its expansive store presence to create a hybrid model where customers can order online and pick up in a store.

Amazon, is highly regarded as an online retailer. Amazon has also established a low-cost, two-day distribution system for shelf-stable items like canned goods. Amazon has a limited physical presence for fast distribution. While both Walmart and Amazon have a stake in this game, Costco is also a company that could pose a threat in online grocery sales. Costco is the second largest retailer in the United States with 622 locations and sales of $97 billion in 2012. Its physical presence in major metropolitan areas could help Costco compete with a hybrid model as well.

Discussion Questions:

What are the strengths and weaknesses of Walmart and Amazon in the online grocery business?

Walmart has a great distribution system, a national network of retail locations, and strong brand awareness with customers. However, Walmart does not have the expertise in online sales and it shipping costs are higher. Amazon, has a low-cost, two-day distribution system. In addition, Amazon’s online sales are almost 9 times that of Walmart’s online sales. Yet, Walmart, as whole, is significantly larger than Amazon.

Which company will win the online grocery war? Explain your answer.

Ask students their thoughts on the online grocery battle. Would they shop online for groceries? If so, would they prefer Walmart and its hybrid model, or Amazon and its quick delivery model?

BACK
How Can Retailers Make Checkout Waits More Bearable?

Perry Kuhlin, Retail Wire, July 16, 2013

Use with Chapter 18, “Customer Service”

Many retailers use service quality as a predictor of future growth and market share. One way that retailers can increase customers’ perceptions of service quality is at the checkout line. Customers’ perceptions of a shopping experience can be dramatically enhanced or destroyed based on the waiting line.

David Maister has done research in this area and offers suggestions for ways to improve the perception of service quality through the waiting line experience. Some of these suggestions include:

1) Occupy the customer’s time with digital signage or in-line merchandising. This will distract the customer from focusing on the passage of time. Digital signage can include promotional information, commercials, or TV shows to distract the customer.

2) Engage the customer sooner by having the customer initiate the checkout process sooner. This can include the customer unloading his or her cart or fill out any necessary paperwork.

3) Reduce customer anxiety by utilizing a single-line queue with multiple services. This will shorten both the actual and perceived wait times. Retailers can also reduce anxiety by attempting to accurately predict and set a wait time.

4) Explain the wait to customers. If a register isn’t working or something is broken, telling customers may increase their understanding and patience.

5) Make the wait equitable by using a first-come, first served method.

Discussion Question:

How can retailers make checkout waits more bearable?

According to the article, retailers can make checkout waits more bearable by being equitable and fair and distracting the customer with digital signage. Also, reducing the perceived wait time by offering one line towards multiple registers can improve the overall wait experience.

BACK
Family Dollar Gains Market Share, but Profit Suffers

Serena Ng and Ann Zimmerman, Wall Street Journal, July 10, 2013

Use with Chapter 2, “Types of Retailers”

Family Dollar Stores announced that it is gaining market share because of its broad appeal to budget-conscious customers who spend a large portion of their disposable income in discount stores. In July, shares of Family Dollar rose 7%. However, Family Dollar has lowered its profit outlook for the third time in a year.

Dollar stores weathered the recession better than most retailers by selling smaller packaged items of staple goods and catering to customers who live paycheck to paycheck. Investors are concerned about the sustained success of dollar stores that flourished during the recession, but might suffer as customers “trade up” to more upscale stores. For dollar stores, like Family Dollar, a weak economy can be a double-edged sword. Dollar stores have grown because of people trading down to lower-priced goods, however, the core customers of dollar stores are increasingly more cash strapped and are buying fewer higher profit margin items.

Executives at Family Dollar agreed that this past year has been more challenging than expected. The core customers continued to buy essentials but spent less money on discretionary items like clothing and home goods. Both Family Dollar and Dollar General have been experimenting with new merchandise mixes to compete with higher-end discount retailers in order to retain customers who may begin to “trade up.” However, Dollar General has to be careful as this strategy can backfire. Dollar General expanded its assortment to offer more brand name goods and this led to customers bypassing the higher profit, private label items for the brand name merchandise. In addition, the inclusion of more name brands has also led to an increase in shoplifting.

Discussion Questions:

Why are extreme value retailers, like Family Dollar and Dollar General, stock prices going up while their profits going down?

Extreme value retailers like Family Dollar and Dollar General weathered the recession well by appealing to budget-conscious customers and offering smaller packaged items of staple goods. This growth is what has attracted investors. However, profits are declining as customers are buying fewer higher margin items either in favor of brand named items or because they are generally buying less.

How are they changing their merchandise mix to strengthen their position?

Dollar stores are worried about losing customers who once shopped at extreme value retailers but are not “trading up” post-recession. In order to appeal to those customers, dollar stores are trying to offer more name brand merchandise to keep the customers from “trading up.”

BACK
Advertisers are realizing that they have to respond to customers who use both smartphones and tablets, as many customers use them for different purposes. According to an eMarketer report, tablets are used for “lean-back” activities like media consumption, shopping, and experiences. In 2013, 102 million U.S. customers shopped on their smartphone, while only 94 million shopped on a tablet. This could potentially be due to more consumers owning smartphones instead of tablets.

When it comes to purchasing habits, the differences between smartphones and tablets are significant. eMarketer predicts nearly 71 million tablet owners will make purchases via their device this year, while only 53 million buyers use smartphones. For retailers, this means that smartphones are helpful for driving customers into stores or connecting with them while they are already in the store. Tablets, on the other hand, are reducing the amount of time customers spend watching TV and should be used to help build brand awareness. Tablet owners are more likely to click on an ad and research an ad than users who view an ad via their smartphone. Tablet owners are also more likely to use their tablet to research a product.

Marketers have to reach customers everywhere, via website, brick-and-mortar, tablet and smartphone and make meaningful connections with customers. In today’s world, e-commerce doesn’t mean “electronic” any more, it means “everywhere” commerce.

**Discussion Question:**

**How are consumers using smartphones and tablets differently to purchase merchandise?**

*Consumers are using tablets to consume more media and research products online. Consumers also use tablets to check out product reviews and access advertisements. Smartphones are used to help drive customers into the store. Consumers also use smartphones while in stores to search for information on products that they are viewing in the store.*

**BACK**
A recent trend in consumer shopping habits involves Boomer mothers shopping with their millennial daughters in a completely different way than how they would have shopped with their own mothers. Part of this trend is due to the mothers wanting to befriend their children and the other part is an attempt to look younger longer. Fashion leaders like Kate Spade and Michael Kors are capitalizing on this trend by incorporating more youthful styles. Michael Kors, for example, targets both generations with a range of products from cashmere sweaters to studded bags. Kate Spade recently debuted a cheaper line several months ago targeting the mother-daughter shopper group. Nordstrom is also trying to become more of a mother-daughter destination by offering less expensive fast-fashion.

According to a recent survey, in the past year, as many as 9% of adult women claim to have shopped with their daughters who are in their 20’s. This number was just 3% in 2007. Mother-daughter shopping drives additional sales as the mother is more inclined to spend on her daughter because she’s there with her, and the daughter wants to help her mother look trend-right.

Women are more likely to shop together when they live together. Approximately 25% of Americans between the ages of 18 and 30 lived with their parents in 2012, and the unemployment rate for this group was around 16%. Additionally, mothers and daughters are closer than they were before. The notion of rebelling from your parents is less prevalent than it was a generation ago.

**Discussion Questions:**

**Why do mothers and daughters shop together?**

*Baby Boomer mothers are shopping with their daughters more in an attempt to bond with their daughters as well as to look younger.*

**Which retailers are catering to this trend?**

*Retailers like Kate Spade, Michael Kors, and Nordstrom are catering to this trend by offering lines of less expensive fast fashion as well as providing a merchandise assortment that appeals to both audiences.*
Brick-and-mortar stores have long been envious of the amount of data and shopper information that their online counterparts are able to collect. Last fall, Nordstrom announced that it was going to use Wi-Fi signals to track customers’ movements around the stores from their smartphones. Nordstrom’s initiative was part of a much larger movement with retailers like Family Dollar, Cabela’s, Benetton, and Warby Parker using Wi-Fi signals, video surveillance and apps to learn about customers including gender, how they move around the store, how many minutes they spend looking at an item, etc. Retailers are hoping that this information provides insights on how they can best maximize store layout as well as offer customized coupons.

RetailNext, a retail software provider, uses video footage to show how shoppers navigate a store. RetailNext uses data from customers’ smartphones to determine more specific patterns, as well as recognize returning customers. RetailNext can also use data to map how shoppers travel through the store. Brickstream, an Atlanta based company, uses cameras to watch customers and determine what aisles are popular and how long people have to wait in line. Realeyes, based in London, uses cameras to analyze facial cues for responses to customers’ happiness levels at the register and while shopping. Nomi, a software company in New York, matches a customer’s phone with the customer’s behavior in the store.

However, while customers seem to be willing to put all of their personal information out in cyberspace, many of them are bristling over the perceived intrusion at a physical retail location. Consumers think that with an online cookie, retailers don’t “really” know who the customer is; but the idea of being “stalked” in a store is somewhat creepy to some customers. Scientists think that what really “creeps” customers out isn’t the privacy violation, it’s what retailers might infer from physical observation.

Some customers, though, are willing to trade privacy for deals. For example, a new app called Place, asks customers where they are in a store in exchange for cash or gift cards. Over half a million people have downloaded the app and provided information like gender, age and income as well as agreeing to be tracked over GPS and Wi-Fi networks. Placed then sells the data to retailers.

Discussion Questions:

What can retailers learn from tracking customers’ movements in stores?
Retailers can use technology to learn how customers move within the store, which aisles and products are the most popular, how long customers spend looking at a product, the customer’s gender and age range, as well as the customer’s facial expression.

How is tracking customers movements in stores different than doing it online?
Many customers feel that when shopping online, the experience is more anonymous. For some customers, feeling tracked in the brick-and-mortar stores is more invasive and feels more personal.

How do you feel about a store tracking your movements in its stores versus on its website?
Ask students how they feel about being tracked online versus in store. Are they more comfortable with tracking if it provides them with a coupon or discount?
Walgreen Gets A Modern Makeover

Geoff Colvin, Fortune Magazine, July 25, 2013

Use with Chapter 5, “Retail Market Strategy”

The Affordable Care Act will transform health care and more customers will be frequenting drugstores. Walgreens’ CEO, Greg Wasson, is refreshing Walgreens in order to best position the company for growth. Walgreens is America’s largest drugstore chain with over 8,300 locations. In 2012, Wasson bought 45% of Alliance Boots, becoming the first U.S. drugstore to expand internationally. He also signed a deal with drug wholesaler, AmerisourceBergen, which gives Walgreens increased buying power with pharmaceutical companies. In a recent interview, Wasson laid out some of his goals for reimagining Walgreens stores in the near future.

1) Involve pharmacists more in customer health care. Pharmacists are one of the top two or three most-trusted professionals.
2) Offer customers flu shots via certified pharmacists.
3) Make sure that pharmacists are positioned to handle the additional 30 to 40 million people who might fill prescriptions after the Affordable Care Act is launched. Also, make sure that pharmacists educate customers are taking their prescriptions properly.
4) Add nurse practitioners to stores to extend services beyond basic pharmaceutical care.
5) Differentiate the traditional drugstore format to become more of a destination location for health, daily living and beauty. This includes extending the convenience goods fresh food offerings and creating an enhanced beauty department.
6) Create value for the customer. Walgreens has increased its private label offerings in order to offer customers a lower price point and build brand loyalty.

Discussion Question:

Using the four growth strategies described in Retailing Management, assess what Walgreens is doing?

Walgreens is using two growth strategies, market penetration and market development. Walgreens is adding new features to retain more of its current customers and encourage them to purchase more in a market penetration strategy. In order to attract a new generation of customers that will frequent Walmart after the Affordable Care Act, Walmart is positioning itself to be the destination drugstore for these new customers in a market development strategy.

BACK
Sears Would Really Like to Sell You a $33,000 Rolex


Use with Chapter 13, “Buying Merchandise”

The Chairman and CEO of Sears has been pushing his company to offer more higher-end merchandise through its Marketplace section of its website. The Marketplace on Sears’ website features goods sold by third party vendors. On Marketplace, browsers can search for Chanel bags, Rolex watches, Balenciaga sunglasses, Zac Posen dresses or Pour La Victorie boots.

This is a contrast from the washing machines, appliances, and tools that are typical of the downscale department store. The Marketplace initiative is an effort by Sears to revamp its image and become more “hip.” Sears is also investing more in e-commerce in order to position itself better with other online marketplaces. However, stores still account for 97% of the sales for Sears, and retail analysts suggest the transformation should begin within the stores.

Many customers are confused by the breadth of high-end items on the Sears website. Some are even questioning the authenticity of the merchandise because of the association with the department store. But Sears is working to change that image. The company has been actively soliciting highly regarded online sellers to use its Marketplace function as their online storefronts. Sears collects a commission from the sales as well as a $39.99 monthly fee. It is the third-largest online vendor market based on number of visits. In June, Amazon had 98 million unique visitors, eBay had 69 million, and Sears had 18 million. Additionally, when consumers search online for merchandise, results for both Amazon and Sears turn up fairly high in the rankings. However, Amazon still holds an advantage on price.

Sears is trying to deliver a “differentiated” experience to its customers by creating a Shop Your Way loyalty program that integrates its online platforms with its brick-and-mortar stores. However, Sears revenue has declined steadily over the past few years; the company lost more than $4 billion in revenue in 2011 and 2012 combined. Analysts believe that Marketplace and Web initiatives won’t help turn Sears around unless it focuses on its brick-and-mortar stores.

Discussion Question:

Do you believe Sears new merchandising strategy is a sound one? Why or why not?

Ask students what they think of Sears’ strategy to sell higher end merchandise through its Marketplace function. Do students consider Sears a trendy place to shop? Do students think that Sears should focus more on its brick-and-mortar locations or reinvest in e-commerce.

BACK
Dropping Loyalty Cards Puts Shaw’s In The Minority
Sarah Shemkus, Boston Globe, July 06, 2013

A Disloyalty Movement? Supermarkets and Customers Drop Loyalty Card Programs
Brad Turtle, Time Business, July 11, 2013

Use with Chapter 11, “Customer Relationship Management”

In the beginning of the summer, Shaw’s supermarkets in New England greeted customers at the door and asked them to turn in their orange store loyalty cards. In return, Shaw’s gave customers a coupon and a promise that every customer walking through the door would receive the same price without having to worry about a card.

This initiative is part of Shaw’s revamping strategy that includes significant reinvestment in its 169 stores. Loyalty programs are ubiquitous in supermarkets and drugstores, making Shaw’s an exception to the rule. Loyalty programs are on the rise as membership grew by 26.7% from 2010 to 2012. Loyalty programs are highly valued in the industry because they allow retailers to parse, analyze, and sell customer data as well as track buying habits and encourage repeat visits with unique coupon offers. Supermarket retailers are also using smartphones to create apps that let customers keep grocery lists, receive coupons and share this information via social media. Retail analysts suggest that the data retailers glean from these loyalty programs is powerful as it allows them to tailor offerings specifically to shoppers, provide customized deals, and manage inventory more efficiently.

Shaw’s was owned by Supervalu and offered customers high prices with shabby stores, and lost a lot of customers as a result. Shaw’s most important priority is to get people back into the stores. According to Shaw’s, tracking purchases is one way to do it, but it’s not the only way. Other retailers, like Albertsons, are eliminating their loyalty programs and placing more emphasis on learning about neighborhood, rather than individual preferences.

Some customers are delighted that Shaw’s has eliminated store cards. Consumer advocacy groups have protested store cards as an intrusion into consumer privacy. One consumer advocate suggests that data about food collection might one day be used by the government or insurers to draw conclusions about our health. With recent concerns about the government accessing phone records and e-mail data from private companies, some fear that global corporations will share our food purchase information. Shoppers want retailers to be clear in their privacy policies and what the benefits of participation are. If retailers cannot provide that, then customers are increasingly less willing to become involved with the loyalty program.

Discussion Questions:

Why did Shaw’s drop its loyalty cards?

Shaw’s decided to drop its loyalty cards in order to reinvest in its stores. Shaw’s realized that its stores had been shabby and its prices are too high. The store has now decided to focus on understanding neighborhood preferences rather than tracking individual shoppers.

Do you believe this was a smart move?
Loyalty cards are very important to supermarket and drugstore retailers because they allow the retailers the opportunity to learn information about their customers and improve the shopping experience. However, some consumer advocates are happy that stores like Shaw’s are eliminating their store cards due to privacy concerns.

Do loyalty cards make you loyal? If so, what behavior do you exhibit that makes you loyal? If not, why not?

Ask students if loyalty cards make them loyal. Do loyalty cards generate repeat purchases or just act as a reminder about a retail brand? Do students adopt these loyalty programs for supermarkets and drugstores? Ask students if they think loyalty is defined by just repeat purchases or by something more.

BACK
Five years ago, naysayers lamented that HSN (Home Shopping Network) would not be able to compete in the digital age, with its history of C-list celebrities pushing rhinestone jewelry and miracle skin creams. When Mindy Grossman took over as CEO, she set out to change that perception, and she has done so very quickly. After posting a multibillion dollar loss in 2008, HSN (which also owns lifestyle brand Cornerstone) posted a profit last year of $130 million and its stock price has risen from $11 in 2008 to $54 today.

HSN’s primary target market is women age 25 to 54 with an average annual income of $69,000. In order to reach these people, Ms. Grossman repositioned HSN to be a place where busy women could shop on their phones or tablets while at their kids’ soccer practice. More than half of new customers for HSN access the site through their mobile phones. In order to stay connected, Ms. Grossman has six TV screens above her desk broadcasting HSN, QVC, HSN’s home page, as well as shows like Rachel Ray and cable news in order to monitor what women are talking about.

Grossman came to HSN from Nike. Since she has been at HSN, she has instituted some significant changes. She had all the buildings of the 66-acre HSN campus pressure washed and painted a gleaming white. She recruited new talent like Emeril Lagasse and India Hicks to host HSN shows. She also assembled a leadership team, where over half of the executive branch and board of directors are female. Finally, Grossman spent hundreds of millions of dollars on new infrastructure, technology, and websites. Now shoppers can cook dinner while watching Chef Emeril on HSN’s TV channel while also chatting online with an HSN host or playing an HSN arcade game to vie for HSN merchandise prizes. Analysts are still skeptical of HSN’s ability to compete with Target and Walmart, as well as rival QVC, which is over twice the size of HSN, but Grossman believes that they can do it. According to Grossman, HSN is “not trying to be Amazon, all things to all people. We (HSN) have a highly specialized customer and want to give her the best experience somewhere she can trust.”

**Discussion Question:**

What has HSN done to assure its future in a mobile/digital era?

*HSN has focused on understanding its core customer, the busy 25-54 year old female with an income of $69,000. HSN has made it easier for this customer to shop not only via the television channel, but also through her tablet and smartphone. HSN has invested in its infrastructure to support multiple touch points with customers. Finally, HSN has also invested in hiring new, trendier talent to eliminate the perception that HSN is a stodgy brand pushing rhinestone jewelry.*

**BACK**
Retail Tidbits

Will Pay-By-Face Catch On?

George Anderson, Retail Wire, July 26, 2013

In Finland, a startup named Uniqul has developed a facial recognition system that enables shoppers to pay for purchases. Using a tablet at checkout, retailers can take a photo of a customer’s face and retrieve account information after making a visual connection.

Uniqul claims to protect consumer data and privacy using military grade security. This also provides them the ability to process payments faster than conventional methods. Consumers must pay a monthly subscription to use this service as well as register this as their preferred method of payment.

McDonald’s Suggested Budget for Employees Shows Just How Impossible It Is To Get By On Minimum Wage


McDonald’s recently partnered with Visa to design a website to show its employees how to budget their salaries to get by on minimum wage. However, what this worksheet actually illustrates is that it is nearly impossible to get by on minimum wage. An example budget sheet includes just $20/month for health expenses and no heating and a very minimum car payment. Furthermore, the worksheet leaves no budget for food and gas. The budget sheet also assumes that employees have a second job.

Almost 88% of people who earn minimum wage are over 20 years old, and 28% of those are parents trying to raise their children on a budget. The McDonald’s workbook leaves no margin for raising children. In order for the economy to thrive, people have to buy things. According to the budget McDonald’s gives to its employees, there is not much room for that.

Will Peapod Drive Sales With Its Mobile Grocery Store?

Tom Ryan, Retail Wire, July 8, 2013

Peapod, a division of Ahold USA, has launched a promontional campaign using digital billboards. These billboards are on the sides of delivery trucks that travel to ballparks, concerts, rec centers, and coffee shops around Chicago, Baltimore, Philadelphia, Washington, Boston, and New York. The billboards are located on the sides of delivery trucks. This follows the internet grocer’s debut last year of scan-and-shop billboards located in train station. Customers can use their smartphones to scan a QR code to download the PeapodMobile App and then scan the QR codes to shop for a number of items, including Barilla, Coca-Cola, Kimberly-Clark, Procter & Gamble, and Reckitt Benckiser. If the order is not completed at the stop, users can schedule home deliveries for the next day.
Every year, Stores magazine names the Hot 100 Retailers based on growth. This year, Bi-Lo Holdings held the number 1 spot. Bi-Lo emerged from Chapter 11 just three years ago and has since acquired the remnants of Winn Dixie, 72 Sweetbay stores in Florida, 72 Harvey’s Markets in Georgia, Florida, and South Carolina, as well as 22 Reid’s Groceries in South Carolina. Number 2 on the list is Michael Kors, which is exploding as one of the hottest brands in clothing. In the first three months of 2013, Michael Kors boasted same-store sales gains of 36.7%. Sprouts, a specialty grocer, rounds out the top three. Sprouts opened its 150th store after only being open for ten years. Also in the top 10 is Fresh Market, another specialty supermarket, that emphasizes customer service and an unconventional store layout. It’s not all grocery in the top ten as Lululemon claims the number four spot and Under Armour is firmly placed at number six.