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

- Want to Lure Shoppers to a Small Store? Give Them a Map (Chapters 3 and 15)
- H&M Opening High-Tech Flagship in Times Square (Chapter 17)
- ‘Buy One, Give One’ Spirit Imbues an Online Store (Chapter 1)
- Russian Service, and With Please and Thank You (Chapter 18)
- How Airlines Mine Personal Data In-Flight (Chapter 11)
- Fear of ‘Showrooming’ Fades (Chapter 14)
- Say Goodbye to the Car Salesman (Chapter 18)
- In War for Same-Day Delivery, Racing Madly to Go Last Mile (Chapters 10 and 18)

Retail Tidbits

- At E-Commerce Firms, Russia Rises
- Amazon Preps for Retail Drone Wars
- Jump in Shoplifting Hurt Penney
- Macy’s Mobile Evolution Takes Next Step

If you are interested in the text book please visit www.mhhe.com/levy9e. 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
Local retailers have to find a way to differentiate themselves from their larger competitors and put themselves on the map for customers, and many local retailers have literally done just that. There is now new technology that allows small retailers to upload floor plans of their stores to mapping apps. When customers search maps for local businesses, the retailer’s location will come up. Customers can also use the technology to look at floor plans of a store and figure out exactly where the store is if it is inside a larger building. Some retailers are even including information like the store’s inventory or the best route customers should take to get to the store.

Large companies like Nokia and Google have been working on these types of apps for a while, but haven’t had enough mapping data; now the initiatives are picking up steam. Businesses can upload their floor plans to Google and Nokia for free inclusion. Then, when customers search the navigation system, the store shows up on the map as well as a visual cue about what customers can find inside. Although larger stores use this technology, it is especially helpful for smaller retailers to gain an edge on competitors.

Discussion Question:

What GIS apps are retailers using to lure customers into their stores?

Retailers are using apps from Nokia and Google to direct customers to their stores. Retailers can upload information about their businesses to these apps for free inclusion. Then, when a customer searches for directions, the business will show up on the route. In addition, retailers can include information on the store’s layout and what kinds of products customers can expect to find in the store.
H&M Opening High-Tech Flagship in Times Square

Sharon Edelson, Women’s Wear Daily, November 12, 2013

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

In November of 2013, H&M opened a flagship store in Times Square, with much fanfare, including a guest appearance by Lady GaGa. The president of H&M, Daniel Kulle, says that this store will be the most productive H&M in North America. The store is 42,000 square feet, with 300 employees, 44 fitting rooms, and 24 cash registers. The store will have extended hours of operation from 9:00 am to 1:00 am, seven days a week.

The Times Square H&M is also introducing new features, such as the try and buy feature. This option allows customers to pay for merchandise while trying it on in the dressing room. This location represents H&M’s investment in technology. There are two 30-by-200 foot LED screens on the sides of the building. The ground floor windows that face the street are interactive. Throughout the store, customers can find light boxes with messages about deals and events within the store. Above the entrances inside, there are two LED portals with changing graphics as well as displays of revolving mannequins. In the fitting rooms there are iPad stations and benches.

Hanging from the 3rd floor ceiling are trusses that can be raised or lowered. H&M will hang mannequins from them that look like they are flying. Behind the cash wraps from the ground floor to the third floor is a “glitter wall” that looks like a “3-D silver quilt.” There will also be a DJ booth that spins music regularly. H&M will also feature an LED runway where customers can “strut their stuff.”

In addition, this new location will also feature new design collaborations, including a new line with Isabel Marant. There will be extended shoe offerings for all ages. The Times Square H&M location will also offer Dividend, a line of clothing featuring army fatigue fabric and flannels, targeted towards a younger and trendier audience.

Retail space in Times Square is some of the most expensive in the country, with rents often exceeding $2,000 per square foot. In order to survive and thrive, H&M must offer customers an environment conducive to high volume sales and inventory turnover. H&M is hoping to capitalize on the subway traffic as the new location is on the corner by the biggest subway station. In 2012, more than 62 million people passed through the complex. H&M is also planning on opening two more stores in high-rent districts in New York; one will be at Fifth Avenue and 48th Street and another will be at 1 Herald Center and will be the largest store in the H&M chain.

Discussion Question:

What high-tech design elements is H&M integrating into its new flagship store in Times Square, New York?

H&M’s new Times Square store will integrate technology completely into the customer’s shopping experience. The location will feature numerous digital structures including a 3 floor glitter wall comprised of digital screens. There will also be large LED screens on the inside and outside of the building featuring products and shoppers inside. H&M will also include iPad stations in the dressing rooms to facilitate quick check-out.
‘Buy One, Give One’ Spirit Imbues an Online Store

Andrew Adam Newman, Los Angeles Times, November 4, 2013

Use with Chapter 1, “The World of Retailing”

Toms started in 2006 with the promise that for every pair of shoes a customer bought, Toms would donate a pair to a child in need. Since then, Toms has donated 10 million pairs of shoes and has sparked a philanthropic trend among other manufacturers and retailers. For example, eyeglass maker Warby Parker also offers a “buy one, give one” option. To help other businesses reach their philanthropic and social goals, Toms has created Toms Marketplace. Toms Marketplace is an online store featuring more than 200 products from 30 companies and charities.

Examples of products sold on this site include Yellow Leaf Hammocks which employs tribal members in Thailand to produce colorful hammocks and Stone and Cloth, a backpack producer that donates towards scholarships to students in Tanzania. Other examples include a Denik notebook that includes a $1 donation for every sale towards building schools and a JADEtribe weekend back that supports employment of female Laotian villagers. Companies chosen to participate in Toms Marketplace have to have a mission for “improving people’s lives baked into its business model.”

Toms Marketplace will use algorithms to make suggestions to customers based on their concerns and social interests as well as their personal tastes. Toms does not just host the brands and take a commission of sales, but has absorbed all of the logistics cost by buying the inventory outright at wholesale and managing the sale and delivery of the products. Toms, who has focused little on advertising before, will advertise Toms Marketplace on billboards with the tagline “This is bigger than us.”

Many social entrepreneurs believe that Toms Marketplace is a great opportunity to build awareness about their brands and causes. In addition, consumers are clamoring for products that support important causes. According to a study done by a public relations agency, 53% of consumers ranked a brand’s activities for social causes as a deciding purchasing factor.

Discussion Questions:

What is Toms Marketplace?

Toms Marketplace is an online store that helps businesses with a social purpose. Toms Marketplace buys merchandise from these businesses and manages the logistics, advertising, and delivery of the merchandise.

Who does it benefit?

Toms Marketplace benefits the manufacturers because it provides an international platform to showcase their merchandise. Toms can capitalize on its strong brand reputation to educate customers about other companies with a social conscience. Toms Marketplace also benefits consumers making it easy for them to find a one-stop-shop for products that contribute to a greater good.

Would you purchase products from Toms Marketplace even if they were more expensive than those available elsewhere?

Ask students how important a company’s philanthropic or social issues are when making a purchase. Would students choose products at Toms Marketplace if they were more expensive than what they could find elsewhere.
Aeroflot is a Russian airline service that is working diligently to change the face of the Russian service industry. Russian airlines haven’t always been known for their commitment to customer service.

However, Aeroflot is working hard to change that perception and was recently found to have better customer service than airlines like Delta and old-school European airlines such as Austrian Airlines.

Aeroflot’s flight attendants are typically very attractive men and women. At its training academy, flight attendants are taught not to scowl, give the cold-shoulder or engage in wordless exchanges with customers. Aeroflot’s training focuses on teaching flight attendants pleasant small-talk and the importance of smiling. The lessons at Aeroflot teach employees to “be happy, to enjoy what they are doing, and to have a positive outlook,” according to one flight attendant in training. The curriculum lasts a year and also includes training from choreographers on stride and movement. Aeroflot also encourages flight attendants to kneel next to passengers in business class when discussing food and drink orders.

Customer service is becoming an increasingly hot topic for Russian companies. Airlines, restaurants, coffee shops, and other service providers are developing more customer-centric training strategies for employees. This focus on customer service is in response to changing demands from an expanding middle-class. With rising wealth and a growing economy, customers aren’t going to stand for being mistreated any more.

Some specialists suggest that Russian service employees can be trained to be nice. For example, an owner of T.G.I.Friday’s chains runs a training academy that focuses specifically on customer service. The national bank, Sherbank, is retraining its 210,000 tellers to become specialists in customer service. McDonald’s uses a global curriculum for Russian employees. Starbucks encourages Russian employees to use the same smiles that customers would see in a Starbucks in the United States.

In preparation for the Winter Olympics in Sochi, Russian organizers are instituting a rigorous training academy for volunteers to learn to smile and be friendly to event guests.

**Discussion Question:**

**How is service changing in Russia?**

*Historically, Russian service providers have not been known for their outstanding customer service. Aeroflot is trying to change that perception by training its flight attendance to provide superior customer service, including engaging customers in pleasant conversation. Other service providers, including restaurants and banks, are also training their employees on the intricacies of customer service.*
How Airlines Mine Personal Data In-Flight


Use with Chapter 11, “Customer Relationship Management”

Airlines have finally invested in technology that allows them to use the tremendous amount of customer data that they already have to better serve their customers. In the future, frequent fliers can expect flight attendants to be armed with personal information about them. Some airlines are even loading this information into tablets so that flight attendants have it at their fingertips, including information about: seat preferences, allergies, food preferences, previous service experiences, etc. Airlines are also using customer data gathered via online-browsing and social media behavior to provide more relevant marketing pitches.

Airlines are pouring all the information that they have about customers into a digital warehouse and piecing together information using identifiers like a customer’s email address or frequent flier number. The resulting profiles can be accessed by flight attendants, making it easier for flight attendants to identify passengers that have special needs or are even celebrating special events. Some tools allow airlines to see who the top five customers are on each flight.

Big data is already a powerful tool for many industries like health care and banking. However, airlines are at an advantage because they have access to customers in “close quarters for long stretches.” However, airlines have to navigate the ethical tightrope that comes with so much open access to information. American Airlines, for example, told its flight attendants not to save information on customer’s dining preferences because of potential privacy violations. The chief technology officer at American Airlines says that data is great and is the key to the company’s future, but the airline is conscientious of the grey area between excellent customer service and creepiness. Customers at Delta, for example, felt “creeped out” to learn that Delta was collecting personal information about them.

Discussion Questions:

How are airlines mining personal data?

Airlines are mining personal data to determine who their top customers are, customer’s seat and meal preferences, and travel occasion. Airlines are also using customers’ shopping and social media habits to create more relevant marketing pitches for them.

Do you believe these practices violate personal privacy?

Ask students to discuss their privacy concerns. Does Big Data scare them? If it improves the service they receive and their overall experience, does it matter to them if airlines, or any other company, are using Big Data to do it?
Fear of ‘Showrooming’ Fades

Drew FitzGerald, Wall Street Journal, November 5, 2013

Use with Chapter 14, “Retail Pricing”

Before the holidays, Best Buy began using showrooming to its advantage by launching an ad campaign touting its stores as “the ultimate holiday showroom.” According to the CEO of Best Buy, Hubert Joly, Best Buy “loves showrooming” and are embracing the phenomenon with gusto. Best Buy is implementing strategies that include price matching and customer-service improvements to convert showrooming shoppers into in-store buyers.

Studies suggest that last year’s fears of showrooming might have created excess panic. Still Best Buy’s sales suffered all year. As the Internet’s share of consumer purchases continues to grow, with more than a quarter of U.S. consumer’s electronic purchases occurring online, showrooming is, and will continue to be, top-of-mind for many retailers. For example, Walmart tries to use reverse showrooming to its advantage by drawing customers to its stores for the best price. Reverse showrooming occurs when shoppers explore products online before purchasing in-store. Target has installed Wi-Fi at its stores to facilitate customer browsing. This also allows Target to track customers spending and search habits.

According to Best Buy, one in five of its 600 million visitors came to the store with the intention of making a purchase online last year. Customers want to come into the store and see how products feel, but then search for a better price online. To combat that, Best Buy has instituted a permanent price-matching plan to reduce showrooming and online rivals from undercutting it on price. Best Buy also wants to create a competitive advantage by capitalizing on the traffic that comes into its stores. Its current marketing push is designed at reaching more sales per square foot of floor space. Although revenue at Best Buy is down and is up at Amazon, retail analysts suggest that sales will continue to improve at physical stores. There will always be those customers that want the face-to-face interaction.

Discussion Questions:

What is Best Buy doing to combat showrooming?

Best Buy is embracing showrooming by advertising the company as “the ultimate showroom.” Best Buy has also instituted a price-matching policy to prevent its rivals from undercutting it on price. Best Buy is also investing in customer service strategies to enhance the in-store experience.

Will it be able to survive Amazon?

Ask students if discuss how Best Buy can compete against Amazon. Do they agree that there are customers that prefer the in-store interaction to purchasing online? Do they agree with Best Buy’s strategy of “embracing” showrooming?

BACK
Car salesman used to spend hours on the showroom floor convincing customers of the benefits of a particular car in order to expedite purchases. However, the Internet has completely changed the way most car sales people do business. The success of today’s car sales person depends largely on his/her interpersonal skills and ability to facilitate a sale rather than coerce a sale.

Historically, customers used to arrive at a dealership unprepared and it was up to the salesperson to convince the customer of the benefits of one automobile over another. Today, the process is flip-flopped. Customers arrive at the dealership armed with information, finding the car first, and then the dealership.

The new face of auto sales involves agents that act more as “product specialists” that help customers find the right car and make the right choice, rather than giving customers the hard sell.

With websites like Edmunds.com and TrueCar.com, customers can learn the price of a car before arriving at a dealership. In addition, customers can get updates and competing offers on their smartphones while standing in the dealership. The average customer spends 11 hours online researching cars and over three hours offline researching. This research has led to a profit drop in new-car sales from $1,531 per car in 2002 to $1,283 in 2012.

Many dealerships are now paying their employees a flat rate with a bonus for hitting sales targets. This has allowed many dealerships to incorporate a no-haggle policy that customers really appreciate. Many dealerships lost sales associates when they switched from no-commission.

**Discussion Questions:**

**How and why has the role of the automobile salesperson changed?**

*The role of the automobile salesperson has changed because of the tremendous amount of information customers have available to them on the Internet. Customers used to arrive at dealerships unprepared but now they are armed with information on price and product specifications. Today’s car salesperson has to act more as a concierge and facilitator of a purchase rather than focus purely on the transaction.*
In War for Same-Day Delivery, Racing Madly to Go Last Mile


Use with Chapter 10, “Information Systems and Supply Chain Management,” and Chapter 18, “Customer Service”

Online retailers like Amazon and eBay are trying to differentiate themselves by offering same-day delivery. Even though retailers possess advanced technology using complicated algorithms, same-day delivery programs often involve good old-fashioned elbow grease. eBay is hiring “valets” to race the streets of Manhattan and other large cities to purchase items and rush them to the customer the same-day. Valets are used to support eBay’s “eBay Now” app that offers local shopping services. The eBay Now app uses valets to act as personal shoppers, often delivering products within an hour of purchase. The eBay now effort is part of eBay’s strategy to outshine Amazon in delivery. eBay announced in October that it plans to extend eBay Now to 25 cities.

One valet explains that the job involves resourcefulness. Bulky purchases like air-conditioners or space heaters often require valets to forego their bikes for the subway or even a cab. Valets have to deliver in strange places, including restaurants and bars. Customers can pay $5 a delivery and each delivery requires a minimum $25 order. Customers can use a feature on the app that allows them to actually track the valet en route. While this labor intensive strategy doesn’t necessarily equal an immediate boost to profits, eBay does hope that “owning the moment that matters” will build a loyal customer base. eBay believes that immediate delivery is involved in creating immediate gratification. It wasn’t that long ago that Amazon revolutionized delivery by offering overnight delivery. Amazon developed a comprehensive infrastructure of 40 fulfillment centers around the country that are “as close to customers” as possible. With 20,000 full-time employees staffing these centers, Amazon is now able to offer same-day delivery in 11 cities.

Google also offers a shopping service that uses “retail partners” to act as distribution centers to reach more customers faster.

Deliv, a start-up company, uses crowdourcing by engaging anyone with a vehicle and extra time. Deliv just announced a deal to work with mall operators to execute same-hour delivery from stores in some of the malls.

Discussion Questions:

How are Amazon and eBay able to provide same-day delivery?

Amazon uses its large network of over 40 fulfillment centers to offer same-day delivery in select cities. eBay uses personal shoppers or “valets” to make purchases for customers and deliver them the same-day.

Does same-day delivery provide a basis for sustainable competitive advantage?

Customers often want instant gratification. Same-day delivery allows customers to experience instant gratification with instant delivery. eBay believes that “owning the moment” will create a loyal customer base.

Is same-day delivery important to you? In which situations? Are you willing to pay extra for it?

Ask students how important same-day delivery is to them. Does the situation or product category matter? Would students be willing to pay more for a textbook to be delivered same-day, for example? Ask students to discuss whether or not same-day delivery satisfies their need for instant gratification.

BACK
At E-Commerce Firms, Russia Rises

James Marson, Wall Street Journal, November 12, 2013

Many online retailers are embracing Russia as the next place for growth. Russia is rapidly gaining acceptance as one of the top emerging markets. Russia has 143 million residents and 60 million of them are Internet users. Russia has a high concentration of wealthy residents who are Internet-savvy. There are also fewer competitors in Russia. Morgan Stanley forecasts online sales to be $36 billion in Russia by 2015.

Historically, e-commerce has not been adopted in Russia as residents prefer cash and are fearful of giving out credit card information online. However, local online retailers have offered customers cash-on-delivery options to overcome the fear of credit card usage.

Like in the U.S. and Europe, electronics and fashion are top sellers in Russia’s e-commerce market. Russian citizens love to buy designer clothes online versus expensive stores.

One challenge of e-commerce in Russia is the infrastructure. Ozon, for example, is an online bookstore that also sells products ranging from food processors to vacations. It offers customers the cash-on-delivery option. However, the company’s vehicles don’t carry the Ozon logo for fear of being targeted by thieves. Some customers buy products from U.S. websites and then never receive them because of custom issues.

The Communications Ministry in Russia says that it is doing a major overhaul to provide the infrastructure to support e-commerce growth in Russia. This will be a serious undertaking; for example, Moscow airports indicated that they had 500 tons of unprocessed packages last year. Most of these packages were ordered from the Internet.

Amazon Preps for Retail Drone Wars

George Anderson, Retail Wire, December 2, 2013

Customers were impressed when Amazon announced it would partner with the U.S. Postal Service to offer Sunday delivery. Customers were outright amazed when Amazon announced, via a CBS “60 Minutes” interview, that it planned to use drones to fly packages to customers. According to the interview with Amazon CEO Jeff Bezos, the drones can deliver packages up to five pounds to customers within a 10-mile radius of a fulfillment center, reducing the deliver time to around 30 minutes. Amazon announced that they hope to begin using these drones by 2015, once the Federal Aviation Administration approves the use of drones in the nation’s air traffic.

Jump in Shoplifting Hurt Penney

Suzanne Kapner, Wall Street Journal, November 21, 2013

While J.C. Penney is celebrating the fact that shoppers are buying more again, the company is also struggling with an increase in theft. In the third quarter of 2013, the company switched from security tags to radio tags and noticed an immediate spike in theft. The tags were designed to improve inventory tracking. The shrinkage eroded J.C. Penney’s profit margin by a full percentage point.
Penney’s is still trying to right itself after its failed overhaul with former CEO Ron Johnson. An increase in shoplifting is not helping the company. For the 3rd quarter, Penney reported a loss of $489 million for same store sales. Penney is hoping that as it clears out old inventory, it will be able to bring in fresher, more current inventory to attract shoppers back into the store. The problem for Penney is that newer inventory will also attract more thieves.

While Penney continues to be plagued by setbacks, the CEO says that J.C. Penney is making progress and will continue to persevere.

**Macy’s Mobile Evolution Takes Next Step**

*George Anderson, Retail Wire, November 6, 2013*

Terry Lundgren, CEO and President of Macy’s, announced in November that Macy’s is investing heavily in technology as a driver of Macy’s growth. Macy’s just launched a new app called Macy’s Star Gifts. Using this app, customers can scan photos from advertisements in catalogs, magazines, and billboards and get product information and special offers on these items. Customers can also use the app to purchase the items. The app is free on iTunes and Google Play; it will also offer videos, gift ideas, and gift-giving advice. The Macy’s Star Gift app is part of Macy’s vision to enhance its omni-channel capabilities and meet the needs of its on-the-go consumers.