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

- **The Disruptors** (Chapters 1 and 5)
- **Amazon Wants to Ship Your Package Before You Buy It** (Chapter 10)
- **Trends in Food Retailing** (Chapters 2 and 4)
- **The Food May Be Fast, but These Customers Won’t be Rushed** (Chapter 16)
- **Restaurants Fear Clout of a New Food Giant** (Chapter 10)
- **Some Businesses Go Creative on Prices, Applying Technology** (Chapter 14)
- **A tsunami of store closings expected to hit retail** (Chapters 3, 5, 7 and 17)
- **Three ways the “other m-commerce” will change the retail game in 2014** (Chapter 3)
- **Stores Confront New World of Reduced Shopper Traffic** (Chapter 3)
- **Did JC Penney make a mistake eliminating sales commissions?** (Chapter 16)
- **Retailers Ask: Where Did Teenagers Go?** (Chapter 4)

**Retail Tidbits**

- Loblaw does personalization right
- Ex-Limited employees revive fashion line with online store
- Obama praises Gap for raising its minimum wage
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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
The Disruptors

Dan Berthiaume and Marianne Wilson, Chain Store Age, January 7, 2014

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

This article highlights the ten companies that are at the forefront of changing and disrupting the retail experience in big and small ways.

1) Amazon- Amazon recently announced that it is planning to introduce a drone-based delivery system that would allow customers in certain areas to receive packages within 30 minutes of purchase. Amazon has expanded same-day delivery shipping to 11 cities and is planning to role the feature out to even more stores. Amazon is also growing its network of fulfillment centers, which are at the heart of its distribution strategy. AmazonFresh is also causing disruption as it will compete with supermarkets to offer grocery items.

2) Facebook- Facebook is working with retailers to quantify the effectiveness of advertising on Facebook and what the implications are to the retailer’s bottom line. Facebook is also working to develop artificial intelligence tools that can help Facebook analyze data and behavior on its site. Facebook is also placing auto-play video ads into some users’ news feeds.

3) Google-Google is expanding in e-commerce. The firm offers Google Wallet for payments, Google Offers for daily deals, and Google Shopper for finding items nearby via a mobile app. Google’s Shopping Express program is expanding its same-day delivery option with retail partners like American Eagle Outfitters, Target, and Whole Foods. Google is also investing in robots to improve its manufacturing and logistics functions.

4) Pinterest-Retailers love Pinterest because “pinning” activity helps drive purchases and traffic for brands. Target, for example, uses a site called “Target Awesome Shop” that showcases top trending items on Pinterest. Pinterest is changing online commerce because retailers can use the site to help consumers find and share products, as well as to identify trends and market to the right shoppers. Pinterest is currently available in 12 languages, with a goal of more than doubling that in the next year.

5) Twitter- Over 50% of retailers use Twitter to alert customers of real-time promotions. Twitter plans to launch an effort for direct shopping via Twitter postings. This would be conducted as a collaborative effort rather than place Twitter in direct competition with retailers.

6) Apple-Apple is the most profitable retailer in the U.S. in terms of sales per square foot. Apple recently rolled out iBeacons to its U.S. stores in December of last year. iBeacons send targeted, real-time promotional messages to customers via their iPhones. Apple is also developing wearable connectivity devices.

7) Instagram- The fashion industry can use Instagram as a powerful marketing tool. Michael Kors became the first retailer last year to advertise on Instagram, with the ad reaching 6.15 million people worldwide.

8) Hointer- Hointer is a retailer that combines the in-store experience with mobile technology. Customers can scan items in the store and have the items that they want to try dropped directly into a dressing room without having to interact with a sales associate. Hointer will continue to identify new ways to incorporate technology into the in-store experience.

9) Square- Square is a small credit card reader that turns a mobile device into a handy cash register. Square also launched an online marketplace and is looking to compete in the online commerce market.
10) HSN- HSN, formerly the “home shopping network” has undergone a transformation. HSN is now a retail, media, entertainment, and technology hybrid that attempts to engage and connect with the consumer across multiple platforms using TV shopping, TV entertainment, digital, and mobile applications to spread its content. HSN has blurred the lines between traditional channels. HSN is increasingly using analytics to anticipate exactly what the customer will want in order to maximize personalization and create passionate consumers.

Discussion Question:

Which companies are expected to disrupt the way we do retailing and why have they been chosen for this list?

Companies like Amazon, Facebook, Instagram, Twitter, Pinterest and Square have all been chosen as retailing disruptors. The companies on this list were chosen because of the way they have changed the customer engagement experience. Companies like Facebook, Pinterest, Twitter and Instagram provide consumers the opportunity to connect with brands and share information with friends. Companies like Hointer and Amazon are changing how customers receive their products and actually shop. HSN is blurring the lines between shopping and entertainment.

BACK
Amazon Wants to Ship Your Package Before You Buy It

Greg Besinger, WSJ.com, January 17, 2014

Use with Chapter 10, “Information and Supply Chain Management”

Amazon recently earned a patent for its new system of “anticipatory shipping” in which the mega-retailer starts delivering packages before the customer even clicks “buy.” Anticipatory shipping involves boxing and shipping products that it expects customers will want based on their previous purchases. When deciding what to ship, Amazon uses information from customers’ previous orders, product searches, shopping cart contents, returns, etc. Amazon hopes that this technique will discourage customers even further from visiting physical retail locations by reducing wait time. Amazon believes that this shipping method will be especially impactful for popular books or movies that customers want the day they are released.

In Amazon’s current process, Amazon receives an order, labels and packages it, loads it on a UPS or USPS truck and the third-party logistics provider delivers the product directly to the customer. As efficient as this process is, Amazon is constantly working to streamline it by cutting delivery times and adding more warehouses in the hopes of offering customers more overnight or same-day delivery options.

Amazon is using Big Data to edge out its rivals by predicting demand. However, critics suggest that when Amazon’s algorithms are incorrect, the returns can be quite costly. Amazon has suggested that it might convert any unwanted deliveries into gifts in order to build goodwill with customers.

The following diagram was included in Amazon’s patent order showing a possible logistics trail:
Discussion Questions:

What is Amazon’s next step in its quick delivery strategy?

Amazon has just patented “anticipatory shipping” which involves shipping a customer a product before the customer even orders the product. Amazon will use algorithms of previous purchase history to anticipate when a customer might want to order the product.

As an Amazon customer, would you embrace this strategy?

Ask students if this strategy appeals to them. Some students might find the added convenience and reduced time between purchase and delivery appealing. Some students might find this process invasive or feel pressure to keep products that they didn’t actually want.
Trends in Food Retailing


and


Use with Chapter 2, “Types of Retailers,” and Chapter 4, “Customer Buying Behavior”

According to Phil Lempert, the self-proclaimed “Supermarket Guru,” there are 10 consumer trends that retailers, especially food retailers, need to consider in order to be successful in 2014.

1) The IndieWoman- The IndieWoman is part of a population of women 27 or older that live alone and have no children. This powerful consumer wants to cook, but also wants convenience. There are over 30 million consumers in this market.

2) Better-for-you snacking: Retailers need to replace snacks at the checkout counter with healthier, on-the-go options for consumers.

3) Brands Reach Consumers Locally through Cause Initiatives: ConAgra recently released results from a survey that indicated that 62% of customers want to support brands that donate to important social causes, especially community based causes.

4) Click to Cook: Many consumers are now relying on their mobile phones when grocery shopping, often to refer to recipes or pull up shopping lists.

5) Supermarkets- The New Culinary Schools: Grocery stores are beginning to offer more cooking classes and events for shoppers to collaborate and learn from each other.

6) The Retailer Becomes the Brand: Retailers are beginning to invest even more in their private brands. Private brands will no longer try to emulate national brands, but rather stand apart on their own.

7) Rise and Shine: Consumers are looking for healthier and more filling breakfast options like eggs, meats, and Greek yogurt.

8) Packaging Evolves to Share More with Consumers: Consumers are using mobile devices to learn more about food products, including information about ingredients, as well as where and how the food was made.

9) Millennials Make the Supermarket Social: The next wave of consumers will begin to purchase ingredients from recipes they find on Pinterest or other social media platforms.

10) International Restaurant Flavors at Home: Consumers are looking for more flavors and variety at mealtime. The surge of Latino and Asian populations is fueling this trend.

The Supermarket Guru also says that supermarkets need to become smaller and more personal. He highlights examples of stores like Whole Foods and Schnucks where customers engage with the retailer like a restaurant, and in some instances, even using reservations to eat in the store. The Supermarket Guru also tells retailers that they need to reach out to the increasing number of men who are primary shoppers for their families.

Discussion Questions:

What are the latest trends in the supermarket industry?

Consumers want to have a more personalized, interactive experience at the supermarket. Customers also want options for convenience products that are also healthy. Supermarkets are also offering cooking classes and demonstrations to engage customers with the products as well as provide a platform for connection between neighbors.
The Food May Be Fast, but These Customers Won’t be Rushed


Use with Chapter 16, “Managing the Store”

McDonald’s offers customers low coffee prices, bathrooms, and plentiful table and seating space. Cost-conscious customers have adopted McDonald’s as a “coffeehouse for the people, sort of everyman’s Starbucks.” In any given McDonald’s, the tables might be filled with older consumers seeking social activity, students trying to do homework or hanging out, and homeless people escaping the weather. This lingering has increased McDonald’s café culture. Many customers are giving themselves permission to linger at McDonald’s even with just a $.99 purchase of coffee. This has created a new frustration for managers and franchise owners as their regular and loyal customers are often taking room and time away from other customers.

Recently, tensions between McDonald’s managers and customers erupted in New York when a McDonald’s manager called the police on a group of older patrons who weren’t leaving the restaurant. The group responded with outrage and organized a boycott of McDonald’s. A truce was eventually negotiated by local politicians, but the experience shed light on an increasing problem for McDonald’s. One customer, for example, admits that he “doesn’t eat fast food,” and that he just goes to McDonald’s to deal with his junk mail. In another McDonald’s, a group of friends who grew up in the neighborhood hang out at McDonald’s because they’re “accustomed to being there.”

McDonald’s has issued a public statement that it is “pleased many of its customers view McDonald’s as a comfortable place to spend time,” and that customers enjoy the benefits of the free Wi-fi and children’s play areas. However, analysts wonder if the leisurely café culture is sustainable for the fast food business model. McDonald’s has no official time limit policy. Some franchises have posted signs asking patrons to leave after 30 minutes. Most individual franchisees are encouraged to do what is best for their communities.

Discussion Questions:

Should stores like McDonald’s and Starbucks allow customers to stay as long as they like as long they have purchased something?

McDonald’s is considered a fast-food restaurant, which typically doesn’t imply lingering. Starbucks, on the other hand, has comfy couches and shared work spaces to promote interaction and lingering. Ask students whether or not they believe it is OK for people to just “hang out” at a McDonald’s or Starbucks.

What are the advantages and disadvantages of limiting loitering?

The primary advantage of limiting loitering is that you increase table turnover and make room for more paying customers. A major disadvantage of limiting loitering is that you run the risk of alienating some of your most loyal customers.
Restaurants Fear Clout of a New Food Giant

Annie Gasparro and Jesse Newman, Wall Street Journal, January 6, 2014

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

Sysco and US Foods are two of the top food suppliers for restaurants and other institutional buyers in the United States. Several years ago, the government accused US Foods of padding its invoices and many restaurants switched to Sysco.

However, recently, Sysco announced its plans to purchase US Foods. This acquisition would create a giant food distributor with over $65 billion in annual revenue, and very few competitors. This worries many restaurant owners as they fear they will have fewer options and less negotiating power.

US Foods and Sysco are not household names as they don’t sell directly to consumers. These organizations make money as middlemen buying meat, produce, and grocery items, selling them in bulk, and delivering the items to restaurants, schools, and other institutional buyers with markups between 10% to 50%. Sysco believes that the merger will give the company more leverage and buying power, allowing them to offer lower prices.

Competitors, like Restaurant Depot, have been able to compete with Sysco by pressuring Sysco to be more forthcoming about its markups. Sysco’s profit margins are already squeezed. Its margins are tightest with restaurant chains that are able to negotiate deals to making the pricing more transparent.

However, critics argue that the industry can still “mark or muddy their actual costs.” Distributors buy from other middlemen. These middlemen can pump up the price (which is shown to buyers) and then return the difference to the distributor as a rebate. Distributors can also negotiate year-end rebates from manufacturers and rarely pass these rebates onto customers. Lawyers, however, argue that distributors are typically protected and that rebates are legal and don’t violate a distributor’s contractual obligations. There have been several lawsuits and class action lawsuits against both US Foods and Sysco.

Discussion Questions:

What are the advantages and disadvantages of a Sysco/US Foods merger from the perspective of Sysco/US Foods, its retail customers, and consumers?

The advantages of a Sysco/US Foods merger, from the Sysco/US Foods perspective is more buying lower and leverage. Sysco claims that it will be able to negotiate lower prices with suppliers and will pass those savings on to its customers. The major disadvantage is for retail customers as they might have fewer options for suppliers now and there is less competition in the market place, leading to less negotiating power. This may also translate to higher costs for the consumer.

BACK
Some Businesses Go Creative on Prices, Applying Technology


Use with Chapter 14, “Retail Pricing”

Many small businesses struggle with pricing, wondering what the market is willing to pay, should they offer discounts, what is the impact to the brand, how will they cover costs, etc. New technology is helping retailers use dynamic pricing to answer some of these questions. Hotels and airlines are already using this technology to anticipate demand and fill seats and rooms more efficiently. Consultants, for example, are charging for results by the hour rather than by the project. Uber, a Silicon Valley firm, uses a mobile app that connects people who need transportation with a small army of black cars. Uber charges more when demand is high and the supply of cars is low. Uber’s prices are controlled by an algorithm. However, this change in price has caused some customers to become irate with the unexpected fare increase.

There are many companies that sell re-pricing software. For example, FeedVisor uses algorithms to decide the best price within a firm’s parameters and at what price competitors are selling. Restaurants are also using innovative pricing strategies. Several years ago, Groupon acquired Savored, a restaurant reservation engine. Savored helps restaurants offer customers a percentage off an entire meal in return for dining at a specified time. Restaurants are using Savored to increase traffic during off-peak hours, often increasing sales by 50 to 70%.

Real estate agents are also using new pricing strategies. For example, a firm in Atlanta charges an upfront listing fee of $500 and one-third to 1 percent when a house sells. The agency has more than 800 active listings and has had more than 1,400 sales in the past 12 months. The agents offer limited services including listing the house on Zillow and Trulia, supplying sellers with a 60 point, do-it-yourself marketing guide, rents lockboxes for $100, and charges $94 to have the home professionally photographed. The pricing model doesn’t suit everyone, but experienced sellers are responding favorably.

Discussion Questions:

What is variable pricing?

Variable pricing occurs when retailers charge different prices in different stores, markets, or zones to different customers.

How are retailers utilizing this pricing tool?

Retailers are using variable pricing to increase demand during off-peak times. Restaurants, hotels, and airplanes are using variable pricing to charge customers lower prices during off-peak or off-season times. Even real estate agents are using variable pricing to charge customers who need fewer add-on services a lower price just for listing assistance.
A Tsunami of Store Closings Expected to Hit Retail


In January, Sears announced that it would close its downtown flagship store in Chicago. Sears has closed over 300 stores in the past four years. J.C. Penney and Macy’s also announced multiple store closings. Target announced it would eliminate close to 500 jobs, including some at its Minnesota headquarters; in addition, Target also announced that it would not fill 700 empty positions. Aeropostale is on track to close 175 stores over the next few years. Walmart also has over 100 stores with declining same-store sales. According to retail experts, these closures and layoffs are only the beginning for the retail industry.

Shoppers will likely begin to see smaller footprints as well, approximately a one-third to one-half decrease in overall square footage. This shrinking retail footprint is due to a shift in e-commerce and retailers’ desires to keep less inventory stocked in stores.

According to the International Council of Shopping Centers, January is a popular month to announce store closings. However, this year’s announcements might be indicative of a more powerful trend. During the holiday season of 2013, online spending increased by 10% on desktop devices, contributing to a nearly 15% decline in foot traffic during the same time frame. During the recession of 2008, shopping center vacancies increased from 5.5% to 11%, and have only recovered 2.1%.

Retail analysts suggest that retailers should concentrate on smaller store networks focusing on customer centricity and e-commerce business. There is often a disconnect between the number of stores that retailers operate versus the number they would choose to operate if they could start over.

Not only are the number of stores declining, but the size of the stores are declining as well. Retailers no longer need to house the same levels of inventory that they used to. Retailers are housing more stock in fulfillment centers in order to reduce commercial real estate expenses.

Retailers are also steering clear of malls and choosing outlet centers, lifestyle malls, or stand-alone locations. The National Retail Federation expects that traditional malls will eventually be extinct. A new indoor mall has not been built since 2006.

Discussion Questions:

What retailers are closing stores and/or utilizing a smaller store format?
Companies like Sears, JC Penney, Home Depot, Sears, Target and Aeropostale are closing stores and/or using smaller store formats.

Why are they downsizing?
These retailers are downsizing as a way to control costs. Shoppers are visiting stores less and sales are down. By downsizing, retailers can reduce operational costs as well as inventory costs. This money can be reallocated to focus on more streamlined operations and building more competitive e-commerce sites.
Three Ways the “Other m-commerce” Will Change the Retail Game in 2014

Carol Spieckerman, Retail Wire, January 23, 2014

Use with Chapter 3, “Multichannel Retailing”

The term “m-commerce” was coined in 1997 to refer to any transaction from mobile electronic devices. Today, there is a new “m” in retailing: marketplaces. Amazon is one of the pioneers of marketplace transactions offering a powerful platform for third-party sellers. One of Best Buy’s key strategic initiatives is its Marketplace expansion. Staples features 200,000 items online and plans to hit one million within the next year. Walmart has more than 5 million SKUS in its repertoire, with the majority coming from its online marketplace.

The digital marketplace is an important growth vehicle for retailers because of three important factors. First, retailers can “dodge death by category killing.” Today, carrying wide assortments in a category can be a liability. However, online aisles and search tools can provide retailers with tremendous opportunities for category expansion. Second, marketplaces can help “expand the brand.” Target, for example, recently purchased digital brands CHEFS Catalog, Cooking.com, and DermStore.com. Expanding brands in the digital marketplace is a sensible strategy for Target. Finally, marketplaces can help retailers “avert scale-fail.” Retail stores can also act as pick-up locations for online purchases. Walmart offers in-store pickup for purchases online including those from its online partners. Target will begin offering in-store pick-up for online purchases later in the year. Every store location for Target and Walmart will have the potential to “facilitate sales that transcend the inventory and the category limitations of each stores.”

Discussion Questions:

What is a retail marketplace from a 21st century perspective?

The retail marketplace allows smaller vendors to use larger websites as a virtual marketplace to showcase products.

What are the advantages and disadvantages from the host and the smaller retail participants’ perspectives?

The advantages of the marketplace from the smaller retailers’ perspective is that smaller brands can capitalize on host sites brand recognition and awareness and traffic. The advantage to the host site is that adding third party providers increases the number of SKUs a company can offer with little investment in inventory. The disadvantage to the small retailer is that it is beholden to the host company and will have to pay a percentage of sales to the host company. A disadvantage to the host retailer is the potential brand erosion and competition from the smaller retailers. Also, host retailers have to worry about quality control issues from third party providers.
Stores Confront New World of Reduced Shopper Traffic


Use with Chapter 3, “Multichannel Retailing”

Customers are shifting away from big-box stores and malls to the comfort of e-commerce and online shopping. Best Buy has tried to combat this trend by overhauling its stores and inviting customers to actually “showroom.” Despite companies like Best Buy’s best efforts, visits to store locations are dropping. Traffic to U.S. retailers declined during the recession, and the fear is that five years later, these customers are still not coming back. During the 2013 holiday season, retailers only received about half of the traffic that they did just three years earlier. ShopperTrak tracked declines from 28.2% in 2011, 16.3% in 2012, and 14.6% in 2013.

Online sales, however, have increased twice as fast as brick-and-mortar store sales. Retail analysts suggest that browsing is done more online as well. Customers will browse items online then make specific, targeted trips to stores to purchase an item. According to ShopperTrak, in 2007 shoppers would visit an average of five stores during a mall trip. Today, that number is reduced to three. Today’s customers are time-starved and view shopping at the mall as a “waste of time.” And if they do shop at the mall, they have usually done product research online beforehand.

During the third quarter of 2013, online sales account for 5.9% of overall retail, but the impact on how shoppers use stores is much greater. The decline in shopper traffic is motivating some retailers to make dramatic changes. Express Inc. aggressively slashed prices during the holidays, even though its profit margins were heavily eroded. Home Depot is cutting back on new store openings in order to invest more heavily in online operations. Gap Inc. and Sears Inc. have both closed hundreds of stores over the past few years. JC Penney has announced that it will close 33 underperforming stores and layoff 2,000 positions. Macy’s recently announced that it will close five stores and lay off 2,500 employees. However, Macy’s is converting over 400 of its stores to also serve as fulfillment centers for online orders. Best Buy is also expanding its ship from store program.

In 2006, 325 million square feet of new retail space was opened. In 2013, only 54 million square feet was opened.

Discussion Questions:

What are the trends in online shopping vis a vie traditional stores?

Customers aren’t visiting stores as much as they used to. Many customers will either purchase a product online, or do research on a product online before visiting a store. This pre-shopping research allows customers to reduce the number of trips to search for a product because the search has been conducted online. Retailers are shrinking the size of their stores and investing more heavily in e-commerce sales.

Do you expect these trends to continue? Why or why not?

Ask students how often they shop at stores vs. online. Do they see a shift back to brick-and-mortar stores occurring in the near future? Do they search for products online before going to the store?
Did JC Penney Make a Mistake Eliminating Sales Commissions?

Tom Ryan, Retail Wire, January 20, 2014

Use with Chapter 16, “Managing the Store”

In addition to laying off over 2,000 employees and closing over 30 underperforming stores, JC Penney has also announced that it will reinstate commission pay for sales associates working in furniture, fine jewelry and window coverings. This change in pay structure will impact over 3,000 JC Penney sales associates.

Historically, Penney has paid associates minimum wage plus a percentage of sales in furniture, window coverings, jewelry, shoes, salon, and men’s suits. Shoes, salon, and men’s suits will continue to remain non-commission. In May of 2012, the commission structure was removed from all departments as part of Ron Johnson’s plan to level the playing field and bring over best practices from Apple and Target. Mr. Johnson believed that removing the commission structure would incentivize employees to focus on the shopper experience. The intent was that sales associates would focus less on upselling and more on problem-solving.

Macy’s, a competitor of JC Penney, provides some type of commission to all of its full-time associates. Nordstrom, Dillard’s, and Sears offer commission to some of their employees. Kohl’s, on the other hand, doesn’t offer commission in any category.

Discussion Question:

Should JC Penney use sales commissions in some departments? Why or why not?

Ron Johnson came to JC Penney from Apple and Target, highly successful retailers that are more focused on customer engagement and problem-solving. Mr. Johnson was the impetus for removing the commission structure. JC Penney is currently underperforming. Perhaps re-instituting the commission structure will motivate sales associates to help increase Penney’s inventory turnover. A potential disadvantage of a sales commission structure is that it sometimes breeds competition or “pushy” sales associates that might alienate some customers.

BACK
Many teenage apparel retailers are noticing a decrease in sales as the competition for the teenage customer’s dollar is becoming more intense. The competition is due to an increased number of stores that are using technology.

Sometimes new technology trumps the latest in fashion for the elusive teenage consumer. Companies like Abercrombie & Fitch, Aeropostale, and American Eagle Outfitters have been the hardest hit. Many teenagers believe that it’s parents that shop at these stores now, rather than the teenager.

Although several of these companies have brought in new leadership to focus on this changing retail landscape, retail analysts don’t expect much improvement in the near future. According to Thomson Reuters, sales at apparel stores focusing on teenagers are down 6.4% during the fourth quarter of 2013. Analysts at Wells Fargo have wondered if the teenage consumer is walking around naked, and imply that there is “no sign of life anywhere among the traditional (teenage) players.”

So, where are these customers? Some argue that they are going to fast-fashion companies like Forever 21 and H&M, or discount retailers like T.J. Maxx who are making a concerted effort to reach teenagers. Online shopping might also play an important role with teenagers, as more than 75% of teenagers say they shop online. This prevalence of online shopping also accelerates the fashion cycle making clothes “uncool” in record time. Teenagers also have shifting priorities. Clothing used to be the epicenter of the teenager’s identity; now, clothing might come in third after smartphones and sneakers. Some argue that gaming systems trump everything and completely erode the dollars that a teenager has to spend on clothing.

Discussion Questions:

Why aren’t teenagers spending as much money on apparel as they have in the past?

There is increased competition for the teenager’s dollar. Some teenagers are spending more money at fast-fashion retailers like Forever 21 and H&M. Retailers are also competing with gaming and technology for the teenager’s elusive dollar.

What retailers are most affected by the decreased spending?

Retailers whose primary target markets are teenagers are most affected by the decreased spending. These include retailers like Abercrombie & Fitch, Aeropostale, and American Eagle Outfitters.
Retail Tidbits

Loblaw Does Personalization Right

*James Tenser, TensersTirades.com, January 20, 2014*

Many supermarket chains miss the boat with their loyalty card customers. Loyalty programs are successful when retailers provide customers with meaningful experiences and are rewarded with relevant offerings. One supermarket chain, Loblaw’s, is getting it right with its customers.

Loblaw’s believes that it captures 55-60% of the share of wallet from its best customers with its PC Plus program. PC Plus is a digitally-enabled frequent shopper program. On a year-over-year basis, Loblaw’s PC Plus members increased their number of visits by 12%, their average basket size by 5%, and the number of categories they purchased in by 7%. PC Plus is able to do this using highly relevant and personalized offers based on customer analytics. The offer mix is tailored to the individual level based on each shopper’s individual shopping history. The strategy of Loblaw’s with its PC Plus program is to “understand the needs of individual customers and consistently execute actions to satisfy them.”

Ex-Limited Employees Revive Fashion Line With Online Store

*Tim Feran, Columbus Dispatch, March 1, 2014*

Three years ago, The Limited launched Eloquii, a plus-size clothing line. The brand quietly closed last summer. Eloquii is now planning on opening as an independent retailer and has exciting growth plans for the future. Eloquii will begin with a focus on its online store and will grow into a brick-and-mortar presence. While the brand is no longer owned by The Limited, it is being run by former Limited employees who see the potential in the underserved plus-size fashion market. The name, Eloquii, is a made-up word intended to imply “with elegance.” Sizes will range from 14 to 24 and will include apparel and accessories. Prices will range from $18.00 for a basic tank-top to close to $200.00 for a dress. Eloquii will offer free exchanges on product as well. Eloquii is also pursuing an aggressive social media strategy to reach and engage new customers.

Obama Praises Gap for Raising its Minimum Wage

*Aamer Madhani, USA Today, February 19, 2014*

In February, Gap Inc announced that it would raise the minimum wage for its employees from $9/hour in 2014 to $10/hour in 2015. The CEO, Glenn Murphy, announced that the wage increase will affect all of Gaps brands which include, Banana Republic, Piperlime, Athleta, and Old Navy. Murphy also announced that the decision was right for the brand, good for its employees, and beneficial to customers.

BACK