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

- The Good, the Bad, and the Ugly for Abercrombie (Chapters 5 and 13)
- What is Wal-Mart Doing to Ramp up its E-Commerce Business? (Chapters 3, 5 and 10)
- Meet Alibaba: China’s Mix of Amazon, eBay, and Paypal With a Dash of Google (Chapter 3)
- In Brazil, the Long Wait for Fast Fashion (Chapters 3 and 14)
- Nine Retailers Closing the Most Stores (Chapter 1)
- Retail in a Slump? Not for These 6 Billionaires (Chapter 1)
- Crafting the Perfect Ambient Scent for Your Stores via the ‘Six Scent Families’ (Chapter 17)
- Retail Showrooming is Dead (Chapter 3)
- Retail 2020: Reinventing Retailing-Once Again (Chapter 1 and 5)
- The Fulfillment Option That Brings Customers Back in Store (Chapter 10)

**Retail Tidbits**

- Does Poor Customer Service Pay?
- Bargain Retail Lifts U.S. Shopping Centers as Big Names Stumble

If you are interested in the text book please visit [www.mhhe.com/levy9e](http://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](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
The Good, the Bad, and the Ugly for Abercrombie

Al McClain, Retail Wire, March 4, 2014

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

Abercrombie & Fitch, once known as the coolest brand on the block, has lost its touch with its young shoppers for quite some time. This market uses the Internet to their advantage by researching the latest trends and shopping online. Ultimately, these consumers settle for lower prices over quality.

As the retailer struggles to win back its young market, fast fashion retailers like H&M and Forever 21 have taken the opportunity and stepped in to meet the needs and demands of this group for trendy fashion at a low price.

As a result, A&F is changing its strategy to appeal to its target market. In doing so, the retailer plans to get more competitive on pricing, comparable to fast fashion retailers. While closing 70 stores in the U.S., A&F will expand on the international level with 16 more stores. Also included in the plan is to reduce lead times, which translate to cost reduction and profit gain. In addition, the retailer is proposing to improve fashion in order to stay on top of current trends. Finally, A&F plans to improve/increase marketing to further help the retailer reach its ultimate goal of drawing young shoppers to its brand.

Discussion Questions:

Why has A&F lost its Mojo?

A&F lost its Mojo because it has failed to shift its identity to meet the needs of today’s younger consumers.

What is it doing to get it back?

A&F is trying to win back its young shoppers with a new strategy. Its plan includes; lower prices, reduce lead times, improve fashion, and improve/increase marketing.

Given its current situation and plans for the future, would you want to start your career in an executive training program at A&F?

Given its current situation and plans for the future, yes, it would be a great opportunity to start a career in an executive training program at A&F. Although the company has a lot of problems, but the experience gained from trying to resolve the problems, can serve as a stepping stone to later success.

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Photo Credit: The McGraw-Hill Companies, Inc./Andrew Resek, photographer Extended Credit Required= NBusiness Unit Rights = McGraw-Hill Companies Asset Source= McGraw-Hill Companies
What is Wal-Mart Doing to Ramp up its E-Commerce Business?

Trefis Team, Forbes, March 27, 2014


As the largest retailer in the world, Wal-Mart’s online business only accounts for less than three percent of its overall sales. As a result, the retailer is placing more emphasis on its online business to increase revenues. The first step it is taking toward being a multichannel retailer is to provide a continuous shopping experience through its various channels. This approach allows shoppers to make a purchase at its online store, and pick up at the closest Wal-Mart physical store. The retailer fulfills online orders with the inventory of its closest store. In addition, Wal-Mart offers shoppers the option to pay for their online order with cash at the time of pick-up.

Second, Wal-Mart plans to enhance delivery efficiency to keep customers interested in its online store. The retailer offers same-day delivery for its online orders, by making the delivery directly from its stores on the same day using its own vehicles.

Finally, the retailer is planning to add groceries online because they account for 50% of its revenue. With this service, shoppers can place the order online and pick up in stores. If this service expands nationwide, then e-commerce sales will surely increase.

Although Wal-Mart is somewhat new to e-commerce, it is expected to achieve its goals through its development of an efficient supply chain for online orders. It certainly has the resources to do so.

Discussion Question:

What is Wal-Mart doing to ramp up its e-commerce business?

In order to ramp up its e-commerce business, Wal-Mart is experimenting with allowing customers to purchase online and pickup orders at the store using inventory from the store, offering same-day delivery, as well as reviving the online grocery business.

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Photo Credit: Ablestock / Alamy Extended Credit Required= NBusiness Unit Rights = MHE World Asset Source= Alamy Images
Meet Alibaba: China’s Mix of Amazon, eBay, and Paypal With a Dash of Google

Juro Osawa, Wall Street Journal, March 17, 2014

Use with Chapter 3, “Multichannel Retailing”

Alibaba Group is China’s leading e-commerce company, operating the world’s largest online marketplaces for both international and domestic trade. Alibaba serves as the middleman, bringing together buyers and sellers and assisting with transactions between them.

Alibaba has also established an online marketplace similar to eBay called Taobao for small merchants. Taobao has 760 million products listed from seven million sellers. Merchants on Taobao don’t pay fees for selling merchandise; similar to Google, they pay Alibaba for ads and other services to promote their goods and services.

Alibaba offers another site, known as Tmall that is used exclusively for well-known brands. Tmall makes its money by collecting an annual fee along with a deposit and commission on each transaction from its merchants.

To give shoppers some reassurance with their online shopping experience, and the ease of payment, Alibaba has created Alipay, a payment method similar to Paypal, that protects buyers if sellers don’t deliver.

Discussion Questions:

What characteristics does Alibaba have with Amazon, eBay, PayPal, and Google?

Alibaba is similar to Amazon in a way that they both have business-to-business and business-to-consumer divisions. Both companies are capable of making money on low margins. Like eBay, Alibaba acts as a middleman. Merchants’ ads appear on Taobao’s product search results just like Google. And it uses Alipay, a payment system similar to Paypal.

Explain how Alibaba operates. Specifically, who pays Alibaba, how do they pay it, and for what?

Alibaba established Taobao, an online store for small merchants in which Taobao acts as a middleman connecting buyers and sellers. Alibaba makes money from merchants who take out ads on Taobao, similar to Google. Alibaba offers another site, Tmall, that is exclusively for well know brands. Alibaba collects a fee along with a deposit and commission on each transaction from merchants. Alipay is an online secure payment method that is used by all parties. Like Paypal, Alipay takes a percentage of each transaction from the seller.

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In Brazil, the Long Wait for Fast Fashion

Loretta Chao, Wall Street Journal, March 18, 2014

Use with Chapter 3, “Types of Retailers,” and Chapter 14, “Retail Pricing”

The fast fashion, low-priced retailer, Forever 21 is aggressively expanding into the international market with its first store opening in Brazil, and anticipating to open seven more in the near future. The grand opening drew thousands of customers to its store in one day. The low price is the most attractive feature for these price-sensitive shoppers. Forever 21’s pricing is far below competitors in Brazil, where high operating costs make it difficult to keep prices low.

One way Forever 21 is looking to lower its operating cost is to source locally because fashion retailers pay 35 percent in taxes for their products and an additional 35 percent for imported apparel. Brazil’s apparel market is expected to grow to 21 percent over the next five years. So the retailer’s entrance to Brazil may be a way for it to win market share with its low prices.

Discussion Questions:

Will Forever 21 be successful in Brazil? Why or why not?

Forever 21 may be successful in Brazil because it can attract customers with its low-priced, fast fashion strategy. The retailer is looking into sourcing locally in Brazil, which is a way to cut operating costs and therefore prices even further.

What is Forever 21’s pricing strategy in Brazil? Is it sustainable?

Forever 21 has implemented a low price strategy in its Brazil stores. It is sustainable because it is consistent with its low price fast fashion strategy elsewhere. This strategy will be difficult for other retailers, particularly Brazilian-based retailers to copy. It’s merchandise also has a strong appeal to young price-conscious trendy consumers, of which Brazil has many.
Nine Retailers Closing the Most Stores

Douglas A. McIntyre and Alexander E.M. Hess, USA Today, March 12, 2014

Use with Chapter 1, “The World of Retailing”

The sluggish economy combined with increased online competition, particularly Amazon, are a few reasons why many brick-and-mortar retailers are closing their stores nationwide. Another factor is some retailers have failed to change their strategy to meet the needs and demands of today’s price-sensitive shoppers. Following are the nine retailers that are closing the most stores and the factors that contributed to their closures:

**Abercrombie & Fitch** has failed to appeal to today’s teen shopper causing it to fall behind competitors. It is now trying to appeal to older shoppers instead, with the hope of turning everything around and improving its overall performance. Closing stores helps cut operations and personnel costs.

**Barnes & Noble** has been trying to tap into e-commerce to compete against Amazon, but it just can’t measure up. Amazon has been in the online book business since the beginning of its existence.

**Aerospostale** being pressured by competitors, is forcing it to change its direction to compete with low-price fast fashion retailers. Store closings help free up capital for transformation projects. There have been rumors that the retailer may be seeking to be acquired.

**J.C. Penney** store closings occur mostly where sales have plummeted. The company failed to generate profit under the management of its CEO, Ron Johnson. The company’s sales has been declining, but Johnson’ new pricing strategy caused sales, earnings and cash flow to drop even further.

**Office Depot** merged with Office Max, in an effort to cut costs through store closings and job consolidations.

**RadioShack** has had to close more than 1,000 stores as a result of the slow economy coupled with the rise of online competition.

**Sears Holdings** has faced tough competition over the years from giants such as Wal-Mart and Amazon, leading to a large number of store closures.

**Staples** is moving away from brick-and-mortar to an online platform, as half of the retailer’s profit comes from its online store.

**Toys “R” Us** has been fighting a tough battle against giant discounters such as Walmart and online player Amazon. Toys “R” Us can’t seem to match up to these giants who are competing against each other for dominance in the marketplace. These companies have been weakened by the slow economy, growth of e-commerce and fierce competitors, leading to store closures.

**Discussion Question:**

Which retailers are closing the most stores, and why are they doing it?

Nine retailers that are closing the most stores include; Abercrombie & Fitch, Barnes & Noble, Aerospostale, J.C. Penney, Office Depot, RadioShack, Sears Holdings, Staples and Toys “R” Us. The slow economy, increased online competition, mergers and acquisitions, and poor management are among the reasons for the massive store closures.
Retail in a Slump? Not for These 6 Billionaires

Kelsey Lindsey, Retail Dive, March 5, 2014

Use with Chapter 1, “The World of Retailing”

Retail may be going through a recession, but there are still a number of them doing extremely well, particularly for those who are at the very top of the organizational structure. Following are six billionaires from Forbes’ list of the 500 richest people, in no particular order.

Amancio Ortega, chief executive and founding chairman of Inditex fashion group has a net worth of $64 billion and was ranked third on Forbes’ list. Most of his wealth comes from his close to 60% ownership of Inditex’s shares, presently the largest fashion retailer in the world.

The Walton Family, heirs to the world’s largest retailer, Wal-Mart, holds four spots on Forbes’ list of the richest people in the world. Last year, each Walton benefited from the chain’s billions in sales and gained six percent in shares. They spread their wealth throughout various investments and special interest groups.

Stefan Persson, is ranked as the 12th richest person in the world by Forbes. He is the chairman and main shareholder of the fashion chain H&M, founded by his father in 1947.

Chairman and CEO of LVMH, Bernard Arnault and family is ranked 15th on the list. Arnault oversees a business empire that includes 60 luxury retail brands. He appointed his son to the position of chairman for Loro Piana and his daughter will hold the position of executive vice president of Louis Vuitton. Arnault wants to keep the business within his family. Jeff Bezos, founder and CEO of Amazon.com, the world’s largest online marketplace, has a net worth of $32 billion. He expanded his assets with the recent acquisition of the Washington Post.

Finally, Karl Albrecht a self-made German business owner thanks his $25 billion assets to the notable grocery chain Aldi Sud. The company’s aggressive globalization effort generates significant profits.

Discussion Question:

Who are the richest retail entrepreneurs, and how did they make their money?

The six affluent retail entrepreneurs, in no specific order, from Forbes’ list of the 500 richest people include, Amancio Ortega of Inditex, the Walton family with Wal-Mart chain, Stefan Persson of fashion chain H&M, Bernard Arnault chairman and CEO of LVMH, Jeff Bezos founder of Amazon.com, and Karl Albrecht, owner of Aldi Sud. These individuals, for the most part own a majority of the shares in the company they established, or are heirs to the firms.

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Crafting the Perfect Ambient Scent for Your Stores via the ‘Six Scent Families’

Richard Weeing, Retail Customer Experience, March 11, 2014

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

Our sense of smell is the strongest of all human senses and the closest sense linked to memory and emotion. Research suggests that the use of scent creates an overall store atmosphere which influences shopping behavior. Therefore, a growing number of retail chains are considering the use of scents to try to draw and keep customers in their store longer. Before implementing scent branding, retailers need to educate themselves on the basic understanding of the six scent families, referred to as the “primary colors” of ambient scenting, as it is crucial to get it right from the start. The six scent families include:

**Citrus** scent is rejuvenating and stimulating and is a best match for brands looking to deliver a high-energy atmosphere. **Floral** scents can be found in expensive fashion boutiques and fine jewelry stores, as the scents in this family tend to range from innocent and sweet to sophisticated and exotic. **Outdoorsy** scents are well suited for outdoor activity outfitters or eco-friendly stores because these scents are described as refreshing, clean and nature-inspired. **Fruity** is known to be bright, uplifting, youthful, and at the same time anxiety-reducing which is a good fit for specialty fashion retailers. **Ozonic** scents are airy, fresh, subtle and light. Stores with small space use this scent family to emphasize a fresh, breezy and open atmosphere. **Gourmand** scents are associated with food and creates a homey and cozy setting. The scents in this family are perfect for specialty food shops or kitchenware.

Choosing a suitable scent for the brand, along with the intensity level of it is very important because too strong of a fragrance can send the customer quickly out the door and never return. Fortunately, with the touch of a button, stores can control the intensity of the scent using the top scent delivery technology available in the market today.

**Discussion Questions:**

Why should retailers use scent as part of their overall store atmospheric strategy?
Scent can alter consumers’ buying behavior. Therefore, retailers should use scent as part of their overall store atmospheric strategy to encourage spending in their stores.

What are the six scent families, and how should retailers use them?
The six scent families include; citrus, floral, outdoorsy, fruity, ozonic, and gourmand. Before implementing an ambient scenting program, retailers must determine what they want the scent to say about their brand. It is important for retailers to find a scent that compliments and enhances their brand so the scent they select will stay in people’s memories long after they have visited the store.

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Retail Showrooming is Dead

David Coleman, Chain Store Age, March 17, 2014

Use with Chapter 3, “Multichannel Retailing”

Retail showrooming is the practice of comparison shopping in the store and ultimately making the purchase online, while virtual showrooming occurs online only. Although retail showrooming is shrinking, virtual showrooming is on the rise as the advancement of technology changes the way consumers shop.

In order for showrooming to occur, whatever merchandise sold in store is also available online. To prevent this practice, retailers, whether physical or online, need to plan their assortments accordingly prior to inventory purchase. Shoppers have found that comparing prices on their mobile device while in store is very difficult. As a result, they have switched to full-screen devices, laptops and desk top computers for their shopping. Retailers can turn showrooming into an opportunity by adopting the latest technology in their stores which allow shoppers to compare prices, and offering to price match for the same item. By doing so, retailers will have a higher chance of closing the deal on the spot and a way of bringing shoppers back to their stores.

Discussion Questions:

What is retail and virtual showrooming?

Retail showrooming is when a customer examines the merchandise in the physical store but ends up purchasing the same item online at a lower price; whereas, virtual showrooming is the practice of comparing prices with different retailers and making the purchase online.

Are these two kinds of showrooming growing or shrinking? Why?

While retail showrooming is shrinking, virtual showrooming is on the rise. The reason for this is shoppers discovered that comparison price shopping on a mobile device while in stores was difficult, therefore, have have switched to full screen devices in the comfort of their home.

What does this mean for bricks and mortar stores?

Brick and mortar stores experience slow foot traffic due to the rise of virtual showrooming, therefore, they need to rethink their physical strategy in the e-commerce era.

What can retailers do to combat showrooming?

To combat showrooming, retailers need to embrace showrooming and use it to their advantage. They can equip their stores with the latest technology and offer in-store wi-fi so shoppers can compare prices and offer to price match on the same item. Retailers could also offer shoppers the option of ordering online and picking up in the store.

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Economic turmoil and technological advances are the two key factors that will reshape the retail landscape of the future. Retailers need to consider the current trends and the potential changes in order to craft a plan that would best help them maintain a sustainable competitive edge. By 2020, the millennials will be the main target market for today’s retailers. This group accounts for 80 million of the population, and they will be in their 20s and 30s by 2020. They have grown up in an age of information technology with constant advances. They are multichannel shoppers who research the product prior to making the purchase. Emphasis on product selection, and convenience, combined with low price will help influence where millennials shop.

In order to maintain a sustainable competitive edge in 2020, retailers need to understand the shopping habits and characteristics of their future target market and start tailoring their strategy to meet those needs. Retailers that invest in building their own exclusive brands will most likely have a competitive advantage over their rivals. Engaging in a conversation with customers will help retailers learn more of their wants and needs. Retailers should look into providing multichannel shopping and offering the same deals online as in-store in order to attract their tech savvy customers. As online competition increases, reducing retail space by either downsizing or closing unprofitable locations is crucial in order to reduce costs and maintain adequate returns. Retailers need to also invest in qualified associates who can provide exceptional customer service because millennials have high expectations of how they should be served in order for them to return to the store in the future.

As long as retailers have an in-depth understanding of their future target market, and can come up with a compelling strategy that will meet the needs of the millennials, then they will likely to have a competitive advantage.

Discussion Questions:

What can we expect the retail landscape to look like in the future?
The retail landscape will change dramatically in the future. Some of the changes that retailers should anticipate include, the future target markets will be the millennials whose population is comparable to that of the baby boomers, the advancement of technology that change the way young people shop, and increased online competition.

Based on these trends, how can retailers develop and maintain a sustainable competitive advantage?
In order for retailers to maintain a sustainable competitive advantage they need to have a deep understanding of the millennial shoppers and their shopping habits. Retailers need to shift more towards e-commerce. They should look into establishing strong exclusive brands, focus on merchandise selections, have competitive pricing and exceptional customer service since these factors are all very important to the millennial shoppers.

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The Fulfillment Option That Brings Customers Back in Store

Jen Mosscrop, Chain Store Age, March 25, 2014

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

Technology advances change consumers’ expectations of their shopping experience. They want the option of making the purchase online and then picking up in store. Retailers that can offer this option will be able to drive additional sales as customers who come into the store to pick up online orders are more likely to make additional purchases while in store. For retailers to be successful with the buy online and pick-up in-store option, they need to invest in technology that enables order allocation systems to locate every item in stock so as to fulfill the order in a timely manner.

Consumers have been spoiled by technology that allows them to shop for anything, anywhere, anytime and they want it delivered now. Multichannel retailers that offer the buy online and pick-up in-store option will be most appealing to their target market. For this option to be successful, retailers need to ensure that the products that show up as being available online, will actually be available in stock and ready for pick up.

The notification of sales to stores quickly and accurately is crucial for retailers to differentiate themselves. Retailers need to equip themselves with mobile task management technology to deliver outstanding customer experience. Mobile task management technology is a wireless network and a mobile device than receives demand notification and enables a speedy response. This solution allows the associate closest to the ordered item to physically pull it and verify its availability.

For the buy online and pick-up in-store option to be successful, the retailer must be able to move the product along its supply chain smoothly, effectively and efficiently with the intention of delivering a single order to an individual customer. That is what enables the retailer to deliver an outstanding in-store pick-up experience, and in return, brings the customer back to the store in the future.

Discussion Question:

What will retailers need to be able to do to successfully offer their customers the ability to buy online and pickup in store?

In order to successfully offer their customers the ability to buy online and pickup in store, retailers need to be able to offer accurate, real-time inventory availability, and make the notification of a sale to be picked up in-store a priority for associates.

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Retail Tidbits

Does Poor Customer Service Pay?

George Anderson, Retailwire, March 4, 2014

In retailing, poor customer service usually translates into poor sales. If customers are not satisfied with the service, they will most likely shop elsewhere. However, an evaluation by the American Customer Satisfaction Index (ACSI) indicated otherwise. The ACSI found that although customers say they don’t like to shop at a particular retailer, they continue to shop there. ACSI’s list of ten most successful retailers in the U.S. but the worst when it comes to customer service include: Walmart, Rite Aid, CVS, Walgreens, Macy’s Safeway, Best Buy, Gap, Supervalu, and Winn-Dixie.

ACSI findings revealed that retail customer satisfaction has improved for the third consecutive year as a result of higher ratings given by consumers to specialty retailers, supermarkets and drugstores. On the other hand, satisfaction for online retailers have dropped and ACSI suggested that it is due to orders not being delivered on time during the holidays. Despite the dissatisfaction with the service, consumers continue to increase their purchases with these retailers.

Bargain Retail Lifts U.S. Shopping Centers as Big Names Stumble

Tim McLaughlin, Reuters, March 16, 2014

Reinventing Retail as Era of Chains Ends

Tim O’Brien, Albany Times Union, March 15, 2014

Big name retailers and malls are closing as more and more consumers are turning to online shopping for convenience and price in the comfort of their home. This is because some retailers have failed to respond quickly to decreasing foot traffic and increasing online shopping. But this hasn’t affected the overall occupancy rates for shopping centers. The slow economy is forcing people to be more price conscious, leading bargain chains to take over available spaces in malls. Small malls have turned into health centers, restaurants and bowling alleys, while luxury malls have transformed themselves into entertainment centers.

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