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

- **The Evolution of the Internet and Its Impact on Retail Spaces** (Chapter 3)
- **Volatile Brew: Price-Matching and Social Media** (Chapter 14)
- **France Eliminates Midseason Retail Promotional Periods** (Chapter 14)
- **Hot 100 Retailers** (Chapter 2)
- **Love the Dress: Sharing Websites Are the Latest Must-Have for Fashion Retailers** (Chapters 3 and 15)
- **J.C. Penney Burnishes its Liz Claiborne Brand** (Chapters 5 and 15)
- **Marketers Are Sizing Up the Millennials** (Chapter 4)

**Retail Tidbits**

- Alarm Sounded Over Lost Impulse Sales at Checkout
- Should Target Cut and Run in Canada?
- Uniqlo Sibling Brand Lets Shoppers Try Out Clothes for a Day

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 Evolution of the Internet and Its Impact on Retail Spaces

Michael Ellis, Wired, July 17, 2014

Is Bonobos Paving the Way for e-Commerce Showrooms?

Tom Ryan, Retail Wire, July 8, 2014

Use with Chapter 3, “Multichannel Retailing” Store”

The impact of online retail channels on both customers and retailers in the past two decades has emerged in some remarkably unexpected ways, as aptly revealed by the developments of the e-commerce men’s clothier Bonobos. Early predictions about the effects of a multichannel strategy often have proven inaccurate, generally to the benefit of retailers and their customers.

First, many people assumed that with the growth of online channels, the surviving offline stores would be the large retail powerhouses that could afford to survive by relying on massive, impersonal, warehouse-like locations. Instead, because e-commerce provides support for a wider range of unique, specialty retailers, their associated offline stores tend to be more varied. For example, when Bonobos got its start as an online retailer, it insisted it would never move offline. Yet by opening several small, creative Guideshops that serve as showrooms for its suits, shirts, and ties, the clothier establishes attractive locations for customers to visit, try on its offerings, and interact with attentive sales clerks in person.

Second, early offline and online channels mainly tended to appear as distinct channels. In contrast, modern versions are closely integrated, as retailers work to offer an omnichannel experience to customers. This approach ensures consistent pricing, branding, and experiences across channels. It also offers customers more choices, such that they can purchase online and receive a delivery at home, purchase online and pick up in stores, or buy items directly in stores. In Bonobos’ Guideshops, they also can visit the showrooms to select the right color, size, and fabric for them, then (with the assistance of the attentive sales clerks) place their orders through Bonobos.com using dedicated devices in the stores. They receive their semi-customized order, delivered to their doors, soon thereafter.

Third, rather than encouraging conventional, standardized store designs, multichannel retailing has led to the arrival of a variety of creative storefront iterations. As customers grow to expect greater convenience and more compelling experiences from their shopping, retailers have innovated with pop-up stores, mixed-use destinations, and convenience offerings in brick-and-mortar locations. Thus malls feature a wider mix of services, restaurants, entertainment, and specialty retail than ever before. For Bonobos, its ability to build showrooms, instead of a traditional storefront, has been the key to success. The showrooms only feature a selection of its clothing offerings, so its inventory costs are minimal. Because the small showrooms also allow it to provide personalized service, it has enjoyed significantly increased sales: Bonobos sells twice as many suits per customer through Guideshops as online, as well as 50 percent more shirts.

Discussion Questions:

How has multichannel retailing improved shopping for customers, both in store and online?

With multichannel retailing, customers achieve an enhanced shopping experience, as well as consistent pricing and greater convenience. For example, shoppers can choose exactly how, when, and where they want to browse products,
make their purchases, and receive the items they select. In stores, they find more creative designs and varied offerings. Online, they enjoy the benefits of always improving technologies that provide them with constantly updated offers and purchase options.

What are the advantages and disadvantages of showrooms from Bonobos’ perspective? From customers’ perspective?

Although it initially resisted the idea of physical showrooms, Bonobos has enjoyed increased sales and reduced online marketing costs by opening them. It must pay rent to open these showrooms, but thus far, the benefits have outweighed those costs. Customers apparently appreciate the opportunity to try on the clothing and interact with dedicated sales staff. However, they still must wait for their online order to ship to them, rather than being able to leave with one of the pieces of the limited inventory available from the showrooms.

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To achieve its foundational promise of radically low prices, Dollar General often stocks only smaller sizes in its product lines. For example, shoppers looking for diapers would find 6- and 12-pack sizes, rather than the large, bulk packages sold by competitors such as Walmart and Target. But customers did not care much about this distinction when they found a coupon in a Dollar General circular that promised a price break on “all counts and sizes” of several popular diaper brands.

Specifically, the promotion offered Pampers Swaddlers for $9.50 and Luvs diapers for $8.50, regardless of the package size. For shoppers at Dollar General, it was a nice promotion, saving them approximately $0.50 off the regular price.

However, some savvy customers quickly realized that the open-ended package requirements in the promotion could provide them with an even better deal if they insisted that other local retailers match the price. Walmart, Toys ‘R Us, and Target are some well-known guarantors, such that they promise to match the price printed on any coupon or promotional deal offered by a competitor. Thus, shoppers flooded these retailers, insisting on receiving the $9.50 price for massive bundles of 96, 128, or 146 Pampers diapers.

Next, these deal-seeking shoppers posted pictures of the Dollar General promotion, and the receipts showing how they exploited the price-matching guarantee of other retailers, on their social media pages. One early Facebook post spread like wildfire, prompting more than 16,000 shares in virtually no time.

The promise of massive bargains, which represented up to 75 percent off the retail price, and the rapid, viral spread of the option led to some real price-matching headaches for Walmart, Toys ‘R Us, and Target. Stores quickly sold out of stock, and checkout lines backed up as cashiers struggled to apply the price-matching guarantee for hundreds of customers. As the chaos reigned for about a week, the retailers lost substantial revenues on a product that usually provides strong margins.

Then the top management of the competing chains put a stop to it. Asserting variously that the promotion was too vague (i.e., it did not specify a package size) or that it could only apply to package sizes that Dollar General actually carried, these retailers stopped honoring the price match. Late arriving customers were left frustrated and annoyed that they could not cash in on the deals in the same way prior buyers had.

Customers ultimately might find themselves even more frustrated with price-matching guarantees. Although retail chains seeking to maintain a low price image have little choice but to offer such guarantees, those smart retailers also continually look for new ways to protect themselves against debacles like the diaper discount. For example, Walmart has asked Procter & Gamble to offer greater variety in package sizes, so that it can carry different sizes than its competitors do. If Walmart sells 26 diapers in a package, whereas Dollar General sells 24-diaper packs, a coupon that specifies a particular package size will never invoke the price-matching guarantee, because none of the packages will align in size. Now its competitors just need to convince Dollar General to list a single, specific size in any promotion it runs.
Discussion Question

Considering recent developments for discount stores, how are price-matching challenges exacerbated by social media?

Discount stores are practically required to offer price-matching guarantees if they hope to compete by establishing a low price image. But price-matching guarantees can be costly if too many customers identify and redeem them. The number of customers exposed to the deals greatly increases due to social media sharing; rather than calling up a few neighbors and friends to tell them about a great deal, shoppers now can post the information to their Facebook, Twitter, or other social media site and immediately alert thousands of friends and their friends. Preventing substantial revenue losses due to price-matching policies thus becomes far more difficult, and the guarantees become far riskier, for all retailers.

BACK
France Eliminates Midseason Retail Promotional Periods


Use with Chapter 14, “Retail Pricing”

In Europe, promotional sales are far more regulated than in the United States. In France for example, retailers have long been limited to offering price deals only twice a year, during the summer and winter sale seasons. During the financial crisis, in an effort to spur consumer spending, France implemented another option for retailers, allowing them to hold midseason sales for any two weeks they chose, outside the sales seasons. Just a few years later though, the government has voted to rescind that option, citing retailer frustration and customer confusion as its motivations.

The option of midseason sales, referred to as “floating weeks,” promised to increase retail sales. Many customers suspend their shopping until the biannual sales seasons roll around. The idea was that by extending sales into alternative weeks, retailers could induce reluctant shoppers into stores to purchase at other times as well. In addition, because the floating weeks could be determined by each retailer, they could achieve a form of differentiation, rather than issuing discounts at the same time as every other competitor was doing so.

The plan did not quite work out as intended. Many retailers never offered floating week sales, citing the high costs of marketing the sales and the potential for customer confusion. Moreover, the new option led French customers to start acting more like their U.S. counterparts, searching for sale offers regularly instead of just during the sale seasons. These expectations reportedly harmed retail revenues. As the head of the French Federation of Retail Associations complained, “The sales were something exceptional, and then became commonplace. This new law will turn things back the way they were, where stores can sell their collections at full prices and sell off the rest during the sale seasons.”

For customers who have grown used to the idea that sales might occur more frequently though, the new law promises to be less popular. Rather than finding a deal at any particular time, every French shopper must now wait, along with everyone else, for the start of the summer or winter sales season.

Discussion Questions:

How are markdowns handled differently in the United States and in France?

The United States has no regulations regarding when retailers may or must offer discounts; those choices are left up to each retailer itself. In contrast, France closely regulates when sales are possible in retail channels.

Why is it different in France?

France seeks to support and facilitate retailers’ survival through legislative means. By limiting sales to twice per year, it helps them avoid the need to constantly devise, communicate about, and offer price discounts to appeal to customers, which can improve their revenues.
From a retailer's perspective, which system would you prefer? Why?

The answer depends on what kind of retailer I am. If I were a small, specialty store, I would prefer France's system, because I would not have to worry as much about price-based competition and could likely sell more of my product line at full price, then get rid of my remaining inventory at the end of each season. If I were a large, promotion-oriented retailer though, I would prefer the U.S. system, so that I could attract customers regularly by offering a better price on necessary items.
Hot 100 Retailers

David P. Schultz, Stores, August 1, 2014

Use with Chapter 2, “Types of Retailers”

Each year, Kantar Research publishes a list of the 100 “hottest” operators in the retail market. Judging from the entries in the latest list, several traits are common to many of those retailers that are burning up the scene today.

In particular, the hottest retailers appear to have found a way to appeal to targeted, specific customer niches—regardless of which niche that is. For example, Ascena Retailing Group (#3 on the list) maintains a stable of closely targeted brands: Justice for tweens; Lane Bryant for all plus-sized women and Catherine’s for plus-sized women older than 45 years of age; Dress Barn for mature shoppers; and fashion-forward Maurice’s for 17- to 34-year-old consumers. Under Armour (#7) has consistently focused on offering high-tech, innovative sports apparel; as it seeks to grow, its new product lines of shoes and fashion apparel will appeal to the same market of fashion-forward weekend athletes.

Accordingly, focusing on a particular target market does not necessarily mean limiting growth, as trends in the grocery segment reveal. For example, the New York–based H Mart chain (#13) initially catered to Korean customers in Queens. Now its Asian grocery products are available in stores all along the East Coast, selected Midwestern sites, and newly opening West Coast stores. In first position in the hot retailers list, Albertsons is a vast conglomerate, but it achieved this status by experimenting with several versions first. Once a monolithic operation, Albertsons sold off several pieces of its portfolio about a decade ago. It was able to reassemble many of these elements based on the winning formula it recognized: share costs across the parent company, but encourage localization, even at the individual store offer, to appeal to customers.

Even industry-specific trends seem to reflect this focus on targeting. The housewares sector has grown significantly, hosting both the second (Wayfair) and the fourth (Conn) hottest retailers on the list. Their success appears due to a few factors. The improving economy has led many homeowners to exhibit a greater willingness to spend more money on decorating and furnishing their homes. For Wayfair, the continued spread of e-commerce also has been a boon, benefitting its various online iterations, such as Wayfair.com, the lifestyle site DwellStudio.com, and its flash sale site Joss&Main.com. Finally, as some larger, less differentiated retailers such as JCPenney and Sears have reduced their houseware lines, these specialty retailers have swooped in to grab market share from customers looking for particular, differentiated, unique accessories for their homes.

Discussion Question:

What are some of the “hot” retailers, and what makes them so?

Although the list of hot 100 retailers obviously contains stores that take varied paths to success, the notion of targeting specific customer segments with well-defined retail offers seems common across them. In addition, most of these hot retailers, such as Albertsons, Under Armour, and Wayfair, appear poised and ready to grow in the near future, following a well-established growth plan.

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Love the Dress: Sharing Websites Are the Latest Must-Have for Fashion Retailers

Sarah Butler, The Observer, June 28, 2014

Use with Chapter 3, “Multichannel Retailing” and Chapter 15, “Retail Communication Mix”

Similar to the way that divisions between online and offline channels have tumbled, the latest developments in fashion-oriented multichannel retailing are eliminating the distinctions between commercial and editorial content. In publications offered both online and off, retailers tout modern trends and cutting-edge fashions, sometimes without any consideration of whether their shopping channels offer those selfsame items.

The European retailer Asos exemplifies this emerging development. Its Fashion Finder site combines new product information with fashion tips and style innovations, presented with a mix of visual content and magazine-like articles and features. In addition, it publishes a glossy paper magazine with a circulation of nearly half a million readers, then also makes this content available as digital versions adapted to U.S., French, German, and Australian markets.

By integrating retailing, social media, and publishing operations, Primark manifests a unique growth approach. It does not have an online channel, and it does not advertise in a traditional sense. Rather, its Primania social media site is populated by exuberant fans of the retailer’s offerings, who post selfies that feature their recent purchases, along with commentary and price information.

The approximately 300,000 weekly visitors to Primania are mostly young women, who check their social media profiles with remarkable frequency and demand interpersonal interactions with their favorite brands. Furthermore, more than half of this target market initiates a purchase by browsing offerings through a smartphone or other mobile device. Thus the central goal for retailers is to attract their attention, which means giving them interesting content. Even if the retailer does not carry the skirt worn by a popular celebrity to a recent event, it may run a story about her fashion choices, to ensure that potential customers at least stop for a quick read.

Although some more traditional retailers are following suit, their efforts may be less successful, according to the segments of customers they generally attract. For example, Marks & Spencer has expanded its website to include a style and living section that provides magazine-style content and information. But perhaps because most of its clientele tends to be older women, who visit the website to make efficient purchases rather than learn about lip gloss trends, its online sales have lagged.

Discussion Question:

What does social media have that traditional print media doesn’t, when it comes to appealing to young female shoppers?

Many young women are interested in learning about up-to-the-minute fashion trends. Because social media can offer constantly updated content, it meets their informational needs. In addition, these shoppers seek to connect with brands so that they can enjoy their shopping experience more. Social media almost inherently provide fun and entertainment,
allowing young women to interact with other fashion fans and read celebrity news, all while completing their shopping for on-trend items.

What retailers are particularly good at reaching these customers? Why?

Retailers such as Primark and Asos have established a clear plan to reach young female customers by offering them expanded content, rather than just listing the items they have for sale. By focusing on the broader content and entertainment needs, these retailers prompt customers to regard their brands as friends, rather than simply as sources of products.

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Photo Credit - NCredit Text= © Floresco Productions / age footstock Extended Credit Required= NBusiness Unit Rights = MHE World Asset Source= AGE Fotostock
J.C. Penney Burnishes its Liz Claiborne Brand


Use with Chapter 5, “Retail Market Strategy,” and Chapter 15, “Retail Communication Mix”

Among the troubling and ultimately damaging shifts undertaken by JCPenney in recent years, the varying amounts it dedicated to promoting some of the brands with which it maintains close relationships represented a notable concern. For the Liz Claiborne brand for example, even as JCPenney retained its dedicated, in-store Claiborne shops, it varied the amount it spent to advertise the brand’s availability, from $52,000 to $1.1 million to nothing, over the course of just three years.

As JCPenney works to regain stable footing and reverse some of the more controversial decisions of its recently ousted chief executive, it has committed to establishing a firmer ground for Liz Claiborne as well. By reemphasizing the target market for Claiborne products—namely, women between the ages of 35 and 50 years—JCPenney will develop cross-category offers that span clothing, accessories, shoes, and housewares.

In addition, a new advertising campaign by the retailer plays heavily on its connection with the fashion brand. In the campaign, the focus is solely on the Claiborne products that women can find at JCPenney, and the theme revolves around a celebration of women in the prime of their lives, who are empowered, established in their careers, self-confident, and free-spirited.

This specialized campaign does not use the tagline dominating JCPenney’s broader communications strategy, “When it fits, you feel it.” However, by ensuring that the communications about this brand resonate with that concept, the retailer establishes a consistent image for both itself and one of its most popular product lines.

Discussion Questions:

What advantages does this relationship offer for JCPenney? For Liz Claiborne?

JCPenney obtains the right to be associated with a popular, well-known clothing brand that can even attract shoppers to visit its stores to gain access to the products. Liz Claiborne receives additional promotional consideration, separate from its own marketing communications, and a ready-made market for its products, which should increase its brand sales.

What objectives does JCPenney meet with this Liz Claiborne–focused advertising campaign?

By reinforcing its connection to a familiar, long-standing brand, JCPenney might help reassure customers that it is still stable, despite the radical changes it has recently undergone. In addition, because the campaign highlights and praises the specific segment of female consumers between 35 and 50 years of age, it may improve the image of this retailer among these important shoppers.
Marketers Are Sizing Up the Millennials


Use with Chapter 4, “Customer Buying Behavior”

As Millennials—defined as those born between the early 1980s and early 2000s—emerge as the largest age cohort, retailers continue to struggle to find ways to understand them, much less appeal effectively to these distinct shoppers.

The challenge is notable because of the ways that Millennials differ from the last big age cohort, the Baby Boomers. Whereas Boomers have tended to be highly brand loyal, Millennials are ready to shift purchases across brands for virtually any reason, especially a better price. Boomers actively sought to acquire symbols of their success, such as large suburban homes and nice cars. In contrast, Millennials are largely putting off home ownership, even if their incomes might enable them to carry a mortgage.

Moreover, Millennials are unique in the variations in their behavior. For example, they might shop regularly at a low priced grocer to find the lowest price for their sandwich bread but visit a high-end bakery once a week and spend $10 on a luxury cupcake. A recent survey of some of their favorite brands featured both the low price retailer Target and the luxury conglomerate Louis Vuitton.

For retailers, the challenge is determining when, where, and how to meet the diverse and ever changing needs of these consumers. The mattress industry has faced the troubling realization that many Millennials continue to live with their parents, even after finishing college and entering the workforce. Thus they have little need for a mattress or box spring; they just keep using their childhood beds. An industry report suggests options to appeal to them, such as holding online contests or sponsoring a concert. But if their high school bed still works, it seems unlikely that a web contest can get these fickle consumers to spend hundreds on a mattress they don’t really need.

Discussion Question:

Which social factors are likely the main influences on Millennials’ shopping and buying behaviors?

Millennials who continue to live at home likely are reacting to their awareness of the challenges of home ownership, which they learned by living through the recent mortgage market collapse. In addition, their lack of brand loyalty likely reflects the expanded consumer choices available today.

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Retail Tidbits

Alarm Sounded Over Lost Impulse Sales at Checkout

John Karolefski, Retail Wire, July 23, 2014

While waiting in line for a cashier to ring up their grocery purchases, shoppers (and their children) have long been tempted by the candy, gum, and tabloid magazines featured next to the checkout line—tempted enough to make impulse purchases that account for approximately four percent of grocers’ profits. But when stores shift to self-checkout technologies, in an effort to increase convenience for customers and efficient operations for themselves, those last minute purchases disappear, for two main reasons. First, many stores do not locate the same appealing products in the self-checkout lines, as they try to optimize the operational space. Second, shoppers are engaged in the task of scanning all their purchases themselves, leaving them without time or attention to focus on little luxury buys. As self-checkout options and other technology-enabled conveniences (e.g., mobile purchases, doorway scanners) spread, the result is, according to one retail analyst “an operational solution and a merchandising challenge.”

Should Target Cut and Run in Canada?

George Anderson, RetailWire, July 17, 2014

Target’s difficult entry into Canada—in its first year, though it earned $1.3 billion in revenue, it simultaneously tracked $941 million in losses—has prompted vast speculation about whether the retailer will remain in the Great White North. Some analysts suggest there is no need for such speculation: The failure has been so dramatic that they unequivocally recommend that Target cut its losses and retreat. But Target claims to have no such plans. A recent YouTube video, “Our Target Canada Team,” features dozens of employees of Target Canada, ranging from executives to store clerks. They acknowledge the failures of the international expansion, including system deficiencies, operational failures, and even store-level gaps. Then each employee promises, whether in broad terms or detailed plans, to improve the retail offerings and, implicitly, retain the jobs of the approximately 20,000 Canadians currently working for Target.

Uniqlo Sibling Brand Lets Shoppers Try Out Clothes for a Day

Daphne Howland, Retail Dive, July 10, 2014

In an unprecedented experiment, the clothing conglomerate Fast Retailing (perhaps best known for its Uniqlo brand) is allowing customers at its Japanese GU stores to try out items they are considering purchasing—outside the store. Shoppers who leave their names and phone numbers with sales clerks may take up to three items home, to see if they match well with their existing wardrobe or are comfortable to wear throughout the day. The retailer does not require any credit card information; it simply requests that potential customers come back by the end of the business day to make the purchase or return the items. The unpurchased but worn items will be used to dress mannequins or be recycled, rather than placed back on shelves for potential sale. Although the store’s name, pronounced “gee-yu,” plays on the Japanese word for “free,” jiyu, the connotation initially was a sense of freedom. With this experiment, the retail brand is taking the risk of prompting customers to believe it means without cost as well.

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