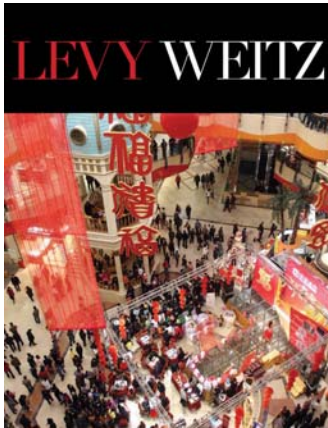


# RETAILING MANAGEMENT NEWSLETTER

for Instructors



*Retailing Management* 6th Edition  
Michael Levy and Barton Weitz  
McGraw-Hill/Irwin

## August 2008

Dear Professor:

This newsletter summarizes article abstracts for case discussions for the following topics

- [Statistics on Retailing Technologies](#)
- [American Apparel Leads an Industry](#)
- [Do Luxury Brands Stay Luxurious?](#)
- [One Need Not Be that Big to Shop at Big & Tall](#)
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<http://www.cba.ufl.edu/mkt/crer/research/publications.asp>

# ABSTRACTS OF RECENT RETAIL ARTICLES

## Statistics on Retailing Technologies

Use with Chapter 3, Multichannel Retailing

Jack Loechner, "Retailing Revolution: Fingerprint Payment and Interactive Dressing Rooms," *MediaPostPublications.com*, May 21, 2008.

<i>Shopping Method Anticipated</i>	<i>% of Respondents "Believing"</i>
Social networking shopping Web sites	79%
Collaborative product development	79
Group buying	77
Sales and product information on mobile phones	76
Interactive dressing room help	73
Shopping by mobile phone	69
Smart carts	67
Biometric fingerprint payment	60
3D body scanning	57
Networked shopping	54
Interactive dressing room mirrors	49
Holographic sales assistance	42

*Source: TNS Innovation Survey, May 2008 From 4600 Primary HH shoppers in Canada, China, France, Germany, Japan, Spain, UK, US*

## American Apparel Leads an Industry

Use with Chapter 10, Informational Systems and Supply Chain Management

Connie Robbins Gentry, "RFID Speeds Replenishment," *Chain Store Age*, June 2008.

As a first mover in the RFID field, American Apparel already has started applying the technology at the item level. A large manufacturer and retailer of casual cotton apparel, with 187 stores in 15 countries, American Apparel features 40,000 items in each store, consisting of 12,000 to 13,000 SKUs per store. It aims to keep one piece of every size, color, and style on the sales floor at all times, which makes for frantic salespeople who constantly hustle merchandise from the backroom and calculate inventory by hand.

Although RFID technology already has been used to manage crates or large boxes of products in supply chains and warehouses, American Apparel's innovative use of it at the item level has helped alleviate the feeling that salespeople are nothing more than "runners." The technology reads and scans tags as the clothing moves from the backroom to the floor. With an RFID scanner, employees can inventory the entire store in less than two hours and determine when

clothing is hanging on tight racks, is left lying around the store, and or has been purchased at the POS.

With this technological application, which American Apparel intends to roll out to stores worldwide, employees become more productive, and inventory on the floor is more accurate. The retailer has even moved to tagging garments at the manufacturing facility, instead of in stores, to ensure salespeople can attend to customers.

Furthermore, American Apparel tries to address customers' privacy concerns by using RFID tags that can only be read at a close proximity, meaning the retailer cannot track them once they leave the store. Customers also can request that the RFID tag, which is attached to the price tag, be removed in the store or can remove it themselves when they get it home. But if they aren't sure about an item, they can leave the tag on and facilitate their return, because it tag contains the price and location at which the item was bought.

### **Discussion Questions:**

#### **How has RFID technology helped American Apparel?**

*The technology has helped employees be more productive in managing the store. Managing around 13,000 SKUs is difficult, especially when one of each size, color, and style must be on the sales floor at all times. The weekly inventory checks are easier and less time consuming because the tags can be read from a few feet away.*

#### **Has American Apparel done enough to ensure consumers' privacy when it comes to RFID tags?**

*The retailer appears to have thought carefully about consumers' privacy concerns and ensured that purchases could not be tracked at home. However, many consumers already have a somewhat suspicious attitude toward RFID technology, so the retailer may need to communicate its efforts clearly to reassure shoppers.*

## **Do Luxury Brands Stay Luxurious?**

### **Use with Chapter 5, Retail Market Strategy**

*Christina Binkley, "Courting the Superwealthy at Cartier Atelier," The Wall Street Journal, May 22, 2008.*

Luxury brands have a very difficult time maintaining their brand image. For them to survive, they often must produce aspirational products just to maintain sales. There simply are not enough "maharajah-size" spenders to create the sales that luxury brands need.

Cartier originally gained a reputation for its high-end jewelry, including a bracelet with 1,310 diamonds and 133 sapphires. Tiffany & Co. and Coach similarly earned fame for their high-end products. But all three retailers have had to offer more accessible products, such as Cartier's "Love" bracelets and watches, sunglasses, handbags, pens, and lighters. Yet none of these products really fit with what Cartier considers its true brand.

Instead, Cartier is focusing on the high-end market segment. The retailer hired an art advisor from Christie's auction house to arrange social events with socialites, who already attend Christie's auctions, in their own homes. Through these events, Cartier hopes to build relationships with future customers, who might indeed want to purchase a bracelet for \$150,000—and Cartier hopes will want to purchase a \$150,000 Cartier bracelet.

During a recent “salon” party at the Bel Air home of Carla Sands, the wife of a real estate mogul, the hostess and Cartier together chose guests who would be invited for lunch and to ogle five- and six-figure inventory pieces displayed in the centers of the tables. The guests playfully tried on a 25-carat “D internally flawless,” emerald-cut, diamond ring, among other baubles. At the conclusion of the lunch, a PowerPoint presentation educated guests about fauvism, the Ballet Russes, and how wild animal art has influenced fashion and Cartier.

Some of the guests included Chanel haute couture client Susan Casden and actress Suzanne Somers. Despite these vigorous efforts, the high-end clients may not have even realized their luncheon was a marketing event. But to get them to patronize Cartier, the brand must continue to educate and maintain its image as associated solely with luxury.

### **Discussion Questions:**

#### **What is Cartier doing to appeal to the superwealthy?**

*Cartier is planning events with socialites to display their high-end products. The purpose of the event is not to produce sales, but for its customers to try on jewelry and have Cartier at the top of their mind when making an expensive jewelry purchase in the future.*

#### **Can it be successfully positioned to sell its name (and its jewelry) to the superwealthy and to middle income consumers?**

*Cartier can be successful in having products that target both customers as long as it can maintain its elite appeal with its exclusive pieces. Its middle income customers want to purchase the brand name, but its superwealthy customers will only continue to purchase its pieces if it is exclusive. Its social events help to build relationship with its superwealthy customers so that they can maintain their loyalty in the future.*

## **One Need Not Be that Big to Shop at Big & Tall**

### **Use with Chapter 5, Retail Market Strategy**

*Joseph Pereira, “Casual Male Aims to ‘Narrow’ Its Focus,” The Wall Street Journal, April 30, 2008.*

Casual Male, which sells men’s clothing from brands such as Polo Ralph Lauren, Calvin Klein, and Ermenegildo Zegna, achieves 75 percent of its sales from consumers with larger waists (i.e., more than 48 inches). But in turn, the company has developed a bit of a stigma—as only for “fat” people. Customers that Casual Male would like to target simply are not willing to be associated with the store.

In a new marketing campaign though, Casual Male features athletic-looking men with 42-inch waist sizes, reinforcing that the store is not just for very large men; one of the models, New England Patriots player Matt Light, weighs a fit 305 pounds.

If Casual Male can rid itself of the “fat” stigma, it is convinced it can offer a great deal of value to customers with 42–46-inch waists, who usually shop in department stores. The department stores generally focus their offerings on sizes 34–38, and 42-inches ranks at the top of their range. Thus, they offer far less variety for this segment of consumers.

Whether the retailer can convince customers that it caters to a variety of men remains to be seen. A few years ago, the store changed its name from Big & Tall to XL and saw a 2 percent increase in sales among the smaller-waisted target market.

Body weight is a touchy issue for anyone, especially when it requires customers to alter their behavior to shop at someplace other than a mainstream department store. Some people simply would rather muddle through than consciously make a behavior change to switch to a store that caters to larger-framed men.

### **Discussion Questions:**

#### **What is Casual Male doing to reposition itself?**

*Casual Male is repositioning itself as a retailer for athletic men, such as football players and larger-framed men who would not be considered fat. Its marketing campaign features notable athletes, such as New England Patriots player Matt Light.*

#### **Do you believe it will be successful?**

*This campaign should lure some smaller-waisted men to the stores with the recognition that their shopping experience would be quicker and more enjoyable if they had a wider selection available to them. However, it likely will not reach all men, and many from the target market will continue to shop at the department stores, as they already are accustomed to doing.*

## **Clothing Prices Decline**

### **Use with Chapter 14, Retail Pricing**

*Eric Wilson, "Dress for Less and Less," The New York Times, May 29, 2008.*

As gasoline, food, education, and medical care prices have increased, mainstream clothing prices have gone in the opposite direction. Apparel prices have not only failed to keep up with inflation but have actually experienced deflation.

Clothing prices overall have suffered an approximately 10 percent decline since 1998. For example, a Brooks Brothers men's suit at \$598 costs the same that it did in 1998. Taking in account inflation, this suit should cost \$788 today if prices had stayed the same.

The price decline on apparel mainly involves lower-priced clothing or basic items, such as underwear and t-shirts. In the past decade, many apparel companies have moved their manufacturing to countries that offer cheaper labor, allowing them to pass these savings on to their customers. Furthermore, competition in the apparel market has grown fierce, especially from discounters, such as Wal-Mart, which offers Op T-shirts for 97 cents.

The new "fast fashion" category also hinges on making trendy styles affordable for everyone. Retailers like H&M and Forever 21 pressure other retailers that sell basic items to lower their prices, because consumers prefer to buy fashionable merchandise. Steve & Barry's, by selling celebrity-branded shoes and dresses for \$8.98 or less, makes it very difficult for mainstream fashion retailers to compete. Long-standing clothiers like LL Bean and Lands' End continue to sell similar merchandise every year, but their prices have increased only 1 percent since 1998, not taking into account inflation.

The exception to this trend is the luxury apparel market, in which prices have soared since 1998. The "introductory" handbag in the Louis Vuitton collection, the "Speedy bag," has increased 104

percent in price, and again, that increase does not take inflation into account. Yet consumers are beginning to take more notice of prices as affordable fashion becomes more widely available; the luxury market must justify, more than ever before, its pricing of a Diane von Furstenberg dress for \$325 when a customer can grab a similar item at Target for \$15.

Finally, the price of gas and transportation affects the entire economy, including the apparel industry, so extremely low prices may not be sustainable for much longer.

### **Discussion Questions:**

#### **What is happening to the prices of apparel? Why?**

*Apparel prices have decreased since 1998 because of increased competition, the introduction of affordable fashion, and the use of cheaper manufacturing labor. With the exception of luxury brands, which have experienced price increases, clothing is one of the few categories in the Consumer Price Index that has experienced overall declining prices.*

## **Designer Names Trade Down**

### **Use with Chapter 14, Buying Merchandise**

*Eric Wilson, "Big Names in Retail Fashion Are Trading Names," The New York Times, March 8, 2008.*

Designer names often build their brands in conjunction with retailers; for example, Dana Buchman sells in Saks Fifth Avenue and Neiman Marcus stores, and Tommy Hilfiger appears at Dillard's. As a result of these relationships, the designer brands' customers have developed a liking for the retailers that sell the brands they prefer.

Yet more designers are questioning this paradigm and trading in their upscale relationships for lower-end markets. Isaac Mizrahi was the first to do so when he stopped selling his line in Saks Fifth Avenue and began collaborating with Target to produce a line that yielded \$300 million in annual sales. Others, including Stella McCartney and Karl Lagerfeld, have followed the trend by producing exclusive lines for H&M.

Higher-end department stores recognize that they have lost some power in their relationships with the designer brands that they have carried for so long. In the course of their relationship though, the large retailers have invested heavily in advertising the brands, which means that losing them to another retailer, especially a lower-end retailer, is a pressing concern. Macy's, realizing the importance of its many exclusive labels, works hard to persuade brands to sell through its channels, including Tommy Hilfiger, which recently dropped all other distribution channels to sell exclusively at Macy's.

But not everyone shops at Macy's, and designers know there is a much larger market for fashion than just high-end shoppers. By moving to a Kohl's, Wal-Mart, or JCPenney, designers can take advantage of a different opportunity and target a different customer. In a complete brand reinvention, for example, Dana Buchman is dropping its high-end line completely, closing its corporate stores, and becoming a bargain-conscious brand for Kohl's—hard to imagine for a designer that made \$7,000 mink coats for Saks Fifth Avenue's affluent customers just a year ago.

Retailers and designers thus must change the way they look at their relationships. It is hard to tell which will end up with more power, but manufacturers are definitely testing the rest of the fashion market, and lower-price retailers like Target and Wal-Mart are welcoming designers who arrive with strong brand images already in place.

### Discussion Questions:

#### Why are designers and brands being sold at different retailers than in the past?

*Designers and brands are changing retailers because many designers that have followed unconventional relationship trends, such as Isaac Mizrahi and Target, have been successful. Designers realize that there is a larger market than just affluent consumers that desires fashionable merchandise.*

#### Who benefits from these changes? Who is hurt? Why?

*The designers could benefit from these changes if their brands do not lose their appeal. Low-end retailers such as Target and Wal-Mart could benefit if the new designer lines are successful. The player likely hurt the most is the higher-end retailer that could lose a brand that it has carried and advertised for years.*

## The Recession-Bound Grocery Business

### Use with Chapter 5, Retail Market Strategy

*Kevin Coupe, "Days Like These," Chain Store Age, June 2008.*

Usually, grocery retailing does not suffer dramatically during an economic downturn—it is what is commonly called "recession proof." But rising oil prices have increased food prices dramatically, making groceries much more expensive. Consumers still have to buy food, but it has become far more difficult for retailers to earn any profit on already low-margin items.

A few strategies might help grocery retailers in the current economic state. Primarily, they should not emphasize prices, because competitors such as Wal-Mart or Costco will always be able to compete on price. Instead, retailers should focus on other things that might create value for customers.

These consumers have not suddenly changed the way they think; they're just more attentive to cutting back on their spending. They still want to buy impulsive products and aspirational products—as long as they are not too pricy.

For example, Hannaford Brothers offers exceptional service; if the customer buys more than 20 items, store clerks will handle the checkout while the customer goes to get the car, then deliver the bagged groceries to the customer's car, where the customer pays through a handheld device. Dorothy Lane Markets spends its advertising dollars on its loyalty program, which promises its best customers the very best rewards.

Grocery retailers often are not great at multichannel retailing, which actually promises a great opportunity for retailers to develop Web sites and encourage customers to engage in a community for communicating about cooking, nutrition, and recipes.

There are many ways to encourage customers to continue to shop, but cutting costs and offering lots of sales may not be the right choice for grocers. Customers, especially those who are accustomed to or want the services and convenience offered by the Web, may not ever be satisfied with the basic offerings that the grocery retailers currently provide.

### Discussion Questions:

## **What some things that grocery retailers can do in an environment with rising food prices?**

*Grocery retailers can focus on loyalty programs by offering rewards to the best customers, unlike existing loyalty programs that usually are not based on spending levels. Assisting customers with the checkout process so they do not have to wait in line is an added benefit. Retailers also might focus on their Web sites, which are currently underdeveloped. By encouraging a community, the grocer can increase brand value and encourage more food shopping as members try to test out new ideas and foods.*

## **Grocers traditionally have been considered recession proof, but the current economic crisis has affected them as well. Are other traditionally recession-proof industries also hurting? If so, how can they address the challenging market environment?**

*Because of rising commodity costs, many other industries are feeling a pinch like never before. However, service likely is always a good answer. When consumers have to buy something, even if they lack much discretionary income, they search for good value, and in this case, value means more than just price.*

## **Macy's and FAO Schwartz Partner**

### **Use with Chapter 5, Retail Market Strategy, Chapter 7, Retail Locations**

*Vanessa O'Connell, "Macy's to Bring FAO Schwarz into Its Stores," The Wall Street Journal, May 16, 2008.*

Macy's poor performance since its acquisition of May Co. has forced it to begin considering other strategies to increase sales. As one option, it has invited FAO Schwartz, the famous toy retailer that disappeared for a few years after undergoing its own bankruptcy, to open stores-within-a-store in 275 Macy's locations.

Placing specialty stores within department stores is becoming increasingly popular as a means to lure customers away from specialty stores. In poor economic times, opening a boutique in a department store also poses less financial risk for the specialty store.

And the trend is not limited in its scope; JCPenney is in the process of adding Sephora boutiques-within-a-store to its locations, while Lord & Taylor is opening Fortunoff jewelry and watch boutiques within its stores.

However, specialty retailers must consider whether their exclusive brand image might be diminished by appearing in department store locations. JCPenney has promised that no Sephora items will be discounted, like the rest of the merchandise in its department store, to help ensure its boutique image.

At Macy's, the existing toy category is relatively slim, so the inclusion of FAO Schwartz should draw customers year round. It also could increase children's apparel sales, which traditionally have been poor compared with other departments. The benefits to FAO Schwartz include exposure to Macy's traffic and a chance to show customers that it is back and that not all its toys are expensive. It thus appears to be a win-win partnership for both retailers.

### **Discussion Questions:**

Which retailers are opening stores-within-a-store?

*Lord & Taylor is opening Fortunoff jewelry and watch boutiques. JCPenney has also opened Sephora boutiques within its stores. And Macy's is providing FAO Schwartz stores in its department stores.*

### **What are the advantages and disadvantages of this location strategy?**

*The advantage is that both retailers benefit from the additional store traffic. However, the specialty retailer could suffer damage to its image by being associated with a mainstream department store. In this case, it begins to piggyback on the department store rather than being a successful brand of its own.*

## **Wal-Mart Mitigates Price Increase**

### **Use with Chapter 15, Retail Pricing**

*Suzanne Kapner, "Wal-Mart Puts the Squeeze on Food Costs," Fortune, May 29, 2008.*

Wal-Mart's food prices have dropped 30 percent this year. But how can Wal-Mart's prices be decreasing when the cost of food continues to increase? With food revenues of approximately \$100 billion, Wal-Mart has the power to demand supplier practices that help eliminate some costs from the supply chain overall and thus keep prices low.

Traditionally, large cereal boxes acted like billboards on grocery shelves, even though the contents never filled the entire box. Wal-Mart instead wants smaller boxes that take up less space on the shelf. Hamburger Helper has decreased its box size by 20 percent but still packs the same amount of pasta, which translates into savings of 890,000 pounds of paper fiber and 500 fewer trucks on the road. Such changes can have considerable impacts throughout the supply chain.

Wal-Mart also has tried to eliminate middlemen that might increase costs. Whereas coffee traditionally comes from a cooperative of growers, who sell to the roaster, which sells to a coffee supplier, Wal-Mart now purchases directly from a Brazilian cooperative for its private label brand, Sam's Choice.

Finally, Wal-Mart increasingly has started using local suppliers to enjoy the enormous savings in transportation costs associated with less travel. In Wisconsin, stores only sell Wisconsin-grown yellow corn. With fewer miles on the trucks that deliver a shipment, cost savings result and get passed down through the supply chain, ultimately to customers.

These initiative mean suppliers must work even more closely with Wal-Mart and, ultimately, engage in greener practices that ensure increased efficiency. As much as Wal-Mart is squeezing its vendors to comply with these tighter standards, the long-term effects, as well as the short-term, lower prices, should benefit the retailer, the vendor, the consumer, and society at large.

### **Discussion Questions:**

#### **How is Wal-Mart keeping food prices low despite rising food costs?**

*Wal-Mart is asking vendors to decrease package sizes, which allows more products to be shipped at one time, decreasing the number of trucks on the road. Wal-Mart also is eliminating middlemen, sourcing products locally, and monitoring the amount of miles that a truck travels for a delivery.*

## Where Did Steve & Barry's Money Go?

Use with Chapter 2, Types of Retailers, Chapter 7, Retail Locations

*Peter Lattman and Jeffrey McCracken, "Steve & Barry's Faces Cash Crunch," The Wall Street Journal, June 21, 2008.*

An extreme discount retailer that sells fashionable clothes, Steve & Barry's started by selling college apparel near universities at prices that undercut the local bookstores. The retailer grew quickly to 270 U.S. stores and predicted that the country could support up to 5,000. Therefore, it announced growth plans that featured selling low-priced clothes on to a mass fashion market.

Its key advantage came with its retail locations, inside malls. As malls struggled to maintain their anchor stores, they began luring tenants willing to occupy the big spaces with one-time, upfront payments. Such benefits made Steve & Barry's look very profitable, according to the excess cash it had available from the payments.

But in reality, the stores are barely profitable. Clothing costs less than \$10; celebrity-endorsed lines—like Stephon Marbury's "Starbury" sneakers or Sarah Jessica Parker's "Bitten" line—fetch a high price of \$14. The business model that allowed it to get away with such low prices included producing clothing in the least expensive areas of the world. For example, by manufacturing products in Lesotho and Malawi, it reduced costs through lower tariffs.

The retailer also has received awards from the International Shopping Centers Association for its ability to create buzz and draw traffic into the mall. But the buzz mainly centers on the extremely low prices on its trendy clothes. In a tightening economy, such a discount retailer should thrive, but if the prices are not high enough to make Steve & Barry's a profit, the retailer may not be able to survive.

### Discussion Questions:

**Why did Steve & Barry's receive one-time payments from mall owners?**

*Steve & Barry's received one-time payments from mall owners as an incentive for the retailer to lease. Mall owners have experienced exceptional vacancies in their anchor store locations as a result of consolidation in the department store industry.*

**How does Steve & Barry's create buzz in the mall?**

*Steve & Barry's creates buzz with its extremely low prices as well as its celebrity-endorsed lines and fashionable offerings.*

## Brands Online Create Buzz

Use with Chapter 3, Multichannel Retailing, and Chapter 16, Retail Communications Mix

*Christina Binkley, "Gucci-Stalking: New Sites Make Shopping a Game," The Wall Street Journal, May 1, 2008.*

What is this site everyone is talking about? In the past six months, several Web sites selling luxury brands have created a viral marketing spread in which they offer timed sales of a particular designer's merchandise—sometimes as much as 70 percent off for previous season fashions.

Companies such as HauteLook.com, Ideeli.com, Gilt.com, and RueLaLa.com provide outlets for unsold luxury inventory when designers most need to make room for the new season's inventory. In New York City, such blowout, one-day sales are typical in showrooms, where local New Yorkers can stop in to buy clothing at large discounts.

The new limited-time sites also have a limitation; they exist only for around 24 hours and then are gone forever. But they are accessible to members around the world, and these shoppers act fast. Gilt.com claims the average customer buys within 45 seconds of logging on; a recent Diane von Furstenberg event sold 600 dresses within six minutes. The treasure hunt can be addicting to shoppers who hate to miss a bargain. Gilt.com even sends text messages, warning customers of current sales, to feed their bargain hunting compulsion.

To join, a new member must be invited by an existing member. Ideeli offers premium access to "First Row" customers who pay \$100 per year for their early access. Yet even with these trappings of exclusivity, HauteLook.com has gained more than 100,000 members and a 10 percent growth rate per week.

Luxury merchandise at discounted prices means pretty minimal customer service. Most sites do not offer returns, and shipment times can vary. HauteLook does not keep inventory on hand but instead sends orders to the manufacturer to fulfill, which means shipping times can be quite long.

### **Discussion Questions:**

#### **How are Internet retailers using "get them while they last" promotions?**

*Internet retailers have short-term sales that only last about 24 hours. At the termination of the sale, the merchandise is no longer available, so customers must make a decision promptly.*

#### **Would you buy at one of the Internet retailer sites described in this article? Why or Why not?**

*Yes, I would buy from one of these sites, because the prices are very discounted for luxury merchandise. However, it is important to know the terms when making the purchase, because the merchandise may not be returnable for a refund, and it may not arrive in a timely manner.*

## **The Impact of Part-Time Employment**

### **Use with Chapter 9, Human Resource Management**

*Kris Maher, "More People Pushed Into Part-Time Work Force," The Wall Street Journal, March 8, 2008.*

Reaching the highest number since 1993, approximately 4.79 million people currently work part-time jobs, a further indication of tough economic times. Many people take more than one job to increase their income; many companies also force workers to take part-time positions to avoid incurring the costs (e.g., healthcare) of full-time employees.

Retailers have increased their use of part-time workers more than any other industry. Larger retailers exploit new computer scheduling systems that schedule employees according to expected traffic flow in the store, holiday seasons, weather patterns, and so forth. In theory, these computer decisions enable the store to run more efficiently, because the retailer can manage part-time employees who work short, flexible shifts more easily.

But though the store may achieve a consistent customer-to-employee ratio, it may not be maintaining consistent levels of customer satisfaction. A scheduling system removes any predictability from employees' schedules and relies more on part-time employees, who tend to offer less consistency in the service provided to customers.

Retailers typically pay part-time employees a lower wage, without benefits, than they would full-time employees. For part-time employees, the result is an unpredictable work schedule; in many cases, even if the employee works more than 40 hours per week, he or she remains a part-time employee and therefore cannot earn overtime or other benefits. In such situations, most employees need to work another part-time job to make sufficient income.

For students and empty nesters who prefer part-time employment to earn some extra income, flexibility is appreciated. But for a regular employee with a family but who cannot obtain full-time employment, the situation is far more dire.

### **Discussion Questions:**

**What are the organizational benefits of using part-time workers? What might be some drawbacks?**

*Part-time workers benefit the organization because the retailer does not incur employee benefits costs. Part-time employment creates flexibility for the worker as well. However, part-time employees may not be as fulfilled by or focused on their work.*

**How does part-time work affect employees who would prefer to work full-time or who must work multiple jobs?**

*The employee's performance may be compromised if the employee has to work two part-time jobs because the organization cannot provide enough hours. Such a work situation also puts a strain on employees who have unpredictable schedules, multiple jobs, or a family for which to care.*

## **Wet Seal's Virtual Closet**

### **Use with Chapter 3, Multichannel Retailing**

*"New Wet Seal Fashion Community Makes a Splash," Internet Retailer, June 24, 2008.*

The Wet Seal, a fashion-forward apparel company, has developed its own community for its Web site. Because 15 percent of the retailer's online traffic was coming from social networking site MySpace, it realized it needed to build a fashion community specifically for its own users.

Shoppers can build virtual outfits and then post them on the virtual runway for others to see and rate or send them to friends. Among the 10,000–20,000 members who participate in Wet Seal's community, most users who make virtual outfits actually stay on the site for 20 minutes, compared with users who choose not to design an outfit, who stay 6 minutes.

The virtual runway already has become quite crowded, with 55,000 outfits created to this point. Shoppers rate others' creations and sort them by geographic location or top-rated ensembles, then view collaborations in combination and make purchases based on what others already have put together. In each shopper's My Boutique, they can make creations or add other shoppers' creations to their shopping bags.

In the unique virtual runway environment, users also can attach tags to an outfit that enable their friends to find it based on keywords. Consumers actually create their own selections and have the choice to shop from other consumers rather than just buying another shirt on the actual Wet Seal site.

Although the virtual runway does not necessarily produce sales, it does ensure consumers develop a relationship with the brand. As they spend more time on the Web site, they also encourage friends to join. The community Wet Seal is helping build will likely to have positive long-term results.

### **Discussion Questions:**

#### **What is the virtual runway?**

*The virtual runway is a virtual space in which customers can post their outfit for others to view. Other features include being able to rate an outfit and purchase items with a certain look.*

#### **How does the relationship between shoppers and Wet Seal affect the retailer's bottom line?**

*Most research shows that consumers who develop relationships with brands are more loyal to those brands. That means that if a shopper needs a new piece of clothing, he or she is likely to think fondly of Wet Seal and go there first to check out available items.*