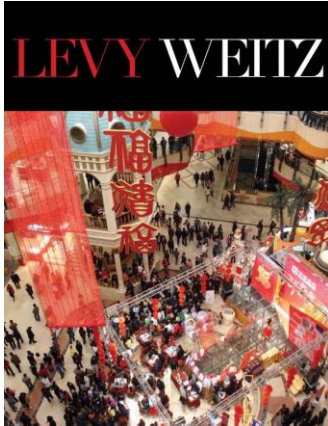


RETAILING MANAGEMENT NEWSLETTER

for Instructors



Retailing Management 7th Edition
Michael Levy and Barton Weitz
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Dear Professor:

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

- [Differentiation by Design](#)
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If you are interested in the text book please visit www.mhhe.com/levy7e. 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://www.cba.ufl.edu/mkt/retailcenter/research/publications.asp>

ADDITIONAL MATERIAL FOR TEACHING RETAIL CLASSES

Team Projects – A wide variety of team projects used by instructors teaching retailing courses can be found at

http://www.cba.ufl.edu/mkt/retailcenter/docs/TeachRetail_RetailAssignment.pdf.

Some of the projects are:

- Strategic Analysis of Retail Firm
- Analysis of retail location
- In-Store Comparison Shopping
- Internet Shopping
- Analysis of Visual Merchandising and Store Layout

Chapter 1 - Power of Retailing. The NRF has launched an interactive map that illustrates the power of retail in each of the 50 states. Use the map to learn about retail employment, number of establishments and revenues by state, or drill down to more get numbers by Congressional district.

http://www.nrf.com/modules.php?name=Pages&sp_id=902

Chapter 4 and 18 - *Inside the Mind of the Shopper: The Science of Retailing*, 2009 is an interesting book about how store design and visual merchandising affects shopping behavior. Some PowerPoint slides describing his method and insights are at:

http://www.fmi.org/facts_figs/conference_pdfs/Managing_Store_Traffic.pdf

<http://www.tns-nipo.com/retailenshopperinsights/presentaties/5.%20Shopper%20Insights.ppt%20-%20Herb%20Sorensen.pdf>

Wal-Mart Videos - A large number of videos about Wal-Mart ranging from the history of the company to its sustainability efforts are at <http://walmartstores.com/Video/>. The PBS program, "Is Wal-Mart Good for America?" can be found at <http://www.pbs.org/wgbh/pages/frontline/shows/walmart/>

We have developed a website to provide materials for retail class instructors. The site, part of the University of Florida Miller Center for Retailing Education and Research website, has:

- Nine syllabi from instructors
- Classroom exercises
- Team projects
- PowerPoint slides
- Copies of this newsletter and the previous issues
- List of retail links, cases, and videos

Go to <http://www.cba.ufl.edu/mkt/retailcenter/teachretail>

We would appreciate any material you would be willing to share with other instructors. Please send your course syllabi, classroom exercises, projects, teaching types, etc to bart.weitz@cba.ufl.edu or mlevy@babson.edu

ABSTRACTS OF RECENT RETAIL ARTICLES

Differentiation by Design

Use with Chapter 4, "Customer Buying Behavior," Chapter 5, "Retail Market Strategy," Chapter 18, "Store Layout, Design, and Visual Merchandising"

Mina Kimes, "A Hidden Shoe Gallery for Elite Buyers," *CNNMoney*, May 11, 2009.

An innovative shoe store in St. Louis has broken the rules of retailing. Its inconspicuous signage and frosted glass front windows cause most customers to walk by without seeing RSole. The inside of the store is dark, lit with only emergency-like lighting.

The upscale shoe boutique targets an urban market of young men (18–34 years) who are willing to spend up to \$500 on a pair of Puma, Nike, and adidas. The owner of RSole also owns a casual clothing and sneaker retail store, called Man of Fashion, that sells the same sort of sneakers. But the two stores employ very different designs.

In particular, the swanky RSole displays shoes as if they were artwork, with indirect lighting and LED squares on the floors to guide shoppers' paths through the store. By emphasizing a unique and expensive design (it cost approximately \$120,000), the retailer's image appears consistent with the merchandise that it sells.

The idea for the notable design came from a store in Manhattan, outside of which a line of people were waiting all night for a sneaker debut. The store's sign was not visible from the street, and the shoe sold out overnight. Yet the buzz and word of mouth created extreme excitement for the exclusive product, so the less accessible it is, the more customers seem to want it.

In this retail environment, RSole sells more than 2,000 pairs of sneakers monthly. Customers can shop at different retailers—40 percent of RSole's merchandise also appears in other stores—but they prefer the experience of shopping in a unique atmosphere.

Discussion Questions:

Evaluate the target market for RSole based on the criteria for market segmentation in Chapter 4.

RSole's target market is actionable, identifiable, substantial, and reachable. Its customers are men who like urban culture and exclusive sneakers. Although it is a somewhat small niche market, it is big enough to sustain the store.

What, if any, are RSole's bases for sustainable competitive advantage?

RSole sells many of the same products found in other retailers, but its competitive advantage depends on store design, which creates a unique experience for the customer. Customers who want exclusive, high-end sneakers are likely to choose their retailer on the basis of the retail experience.

Evaluate RSole's windows and its interior. What other stores use a similar strategy?

RSole's strategy is to be inconspicuous on the outside, known only its target market, who find out about the store through word of mouth. Abercrombie & Fitch has a similar strategy, whereby customers walking by cannot see the inside of the store but just hear blaring, club-like music and

see attractive salespeople standing at the front. In both cases, the idea is to encourage only those customers who already know what the store sells to enter.

Walk In, In-Store

Use with Chapter 5, "Retail Market Strategy," Chapter 7, "Retail Locations."

Milt Freudenheim, "Hospitals Begin to Move Into Supermarkets," *The New York Times*, May 12, 2009.

Concerns about health care are all over the news—shortages of primary care doctors, overcrowded emergency rooms, and weak insurance coverage. In response, supermarkets, CVS stores, and Wal-Mart locations have added walk-in clinics to offer care to patients with minor illnesses or those in need of a physical.

The clinics promise significant benefits; they are convenient, open late, and open on weekends. They also charge lower prices because they operate at a lower cost than primary care doctors' offices or emergency rooms. Currently, 50 million people in the United States lack health insurance, and this number appears to be growing quickly.

The downside of the walk-in clinics is also one of their benefits. That is, to maintain their efficiency, they cannot spend the amount of time a traditional doctor might with patients. In turn, the primary care doctors may not be aware of a patient's history over time. Medical records get dispersed across a variety of locations rather than being held a single filing system.

Some hospitals have opened sponsored walk-in clinics in drugstore or supermarket locations, using branding such as the Cleveland Clinic or the Mayo Clinic. These hospitals perceive opportunity, because a customer who receives good basic care from a walk-in clinic should develop good attitudes toward the hospital and then perhaps choose it when they need assistance in other areas, such as childbirth facilities or critical care.

Discussion Questions:

What are the benefits to retailers and hospitals of locating clinics within retail stores?

Retailers can attract new customers to their stores. Hospitals can also gain new, long-term customers who are more likely to visit the hospital services for more significant procedures, such as childbirth.

In what circumstances would you use a hospital clinic within a store?

I would go to a hospital or store clinic if I had a minor cold and needed a prescription for medicine. However, I would opt to go to my primary care doctor if I thought that I had a major illness.

Japanese Fashion Landscape

Use with Chapter 2, "Types of Retailers," Chapter 4, "Retail Buying Behavior," Chapter 5, "Retail Market Strategy," Chapter 14, "Buying Merchandise."

Coco Masters, "In Japan, Fast Fashion Rules in Slow Times," *Tokyo time.com*, May 1, 2009.

Japanese consumers are still shopping, but not for luxury brands, whose sales are projected to decline by 10 percent in the first half of 2009. In Tokyo's Harajuku district, known for its fashion-forward consumers, the boutiques are taking a backseat to fast-fashion giants that tout style for lower prices.

H&M opened in November and attracted 2,500 shoppers on its opening day. Britain's Topshop opened around the same time, and Forever 21 will open a flagship store soon in the same district. All the big fast-fashion names thus will be there: H&M, Uniqlo, Topshop, Gap, Zara, and Forever 21.

Forever 21 anticipates a 40 percent global sales increase compared with last year. For \$100 customers can purchase an outfit, a bag, shoes, and accessories; what more could they want? Other consumers are cross-shopping by purchasing fast-fashion clothes and pairing them with Gucci handbags.

The fast-fashion retailers allow customers to return to the store frequently for more items, because they are fashion forward enough to show flair but do not cost a lot. While most retailers are suffering 5 to 15 percent drops in their same store sales, Uniqlo's increased by 3 percent in 2008 and 13 percent for the early part of 2009.

Discussion Questions:

How do you explain the success of fast-fashion retailers like Forever 21 in Japan?

Japanese consumers are fashion forward but hope to make their money stretch further in this economy. Forever 21 offers stylish clothing for such low prices that consumers can shop at the store many times.

True Value's Value Proposition

Use with Chapter 4, "Customer Buying Behavior," Chapter 16, "Retail Communication Mix."

Aaron Baar, "True Value Positions Self as 'Hardwarian Master'," *Marketing Daily*, DATE.

In True Value's most recent marketing campaign, print ads in *Better Homes & Gardens*, *Sports Illustrated*, *Popular Mechanics*, *This Old House*, and *Outdoor Life*, as well as commercials on the DIY Network, HGTV, ESPN2, CNN, and Fox, communicate the idea that its salespeople are knowledgeable enough to help anyone solve any home improvement problems they might have.

Along with the tagline, "Start right. Start here," the advertisements display customers who bought the wrong products because they visited the "wrong" store first. Thankfully, they have retreated to True Value, though they wish they had started there in the first place.

The ads and commercials also promote sales associates as the "Masters of all things Hardwarian." Despite the gender implication, they show female sales associates showing female customers that they can be DIYers too, assuming they get some knowledge from True Value associates.

In this economy, many customers become DIYers who want to save money by doing their own carpentry and repair projects. True Value welcomes these new customers by providing an excellent sales staff that is not selling products but rather solving their problems. For first-time DIYers, the repair task often seems daunting, so the service provided by the store is valuable to customers.

In addition to appealing to these new customers, True Value also wants to build its relationships with existing customers. The sales associates promise to help solve customers' problems and indicate that it should not be a one-time-only interaction—customers come back because the problem is tougher than they originally realize or to take on additional projects.

Discussion Questions:

Who is True Value's target market?

True Value's target market is DIYers.

How is it positioning itself to appeal to this market?

True Value is hiring experienced salespeople who know how to work with customers to solve problems and are handy in the DIY field themselves. They offer service, along with products, to make True Value a solution-based retailer.

Does its message resonate with you?

I would go to True Value, because I am inexperienced in DIY work, but I think I would feel comfortable shopping there because the sales associates seem friendly and can help me solve my problem by directing me to the appropriate products and showing me the techniques needed to use them.

Wal-Mart for Hispanics

Use with Chapter 4, "Customer Buying Behavior."

Jenalia Moreno, "Wal-Mart Gives its Supermercado Concept a Tryout," *Houston Chronicle*, April 30, 2009.

David Morse, "Houston, We Have a Problem with Wal-Mart," *Retail Wire*, May 1, 2009.

The fastest growing segment in the United States is low-income consumers. Many of these consumers are Hispanic, who constitute \$984 billion in buying power, a level expected to grow to \$1.3 trillion by 2013.

Unlike most grocers, that limit their Hispanic-oriented offerings to a single, insufficient aisle, Wal-Mart has initiated its Supermercado concept, followed soon by a Mas Club that matches the Sam's Club warehouse business model. The first Supermercado de Wal-Mart is in a 40,000 square foot converted Neighborhood Market; its opening day featured food and beverage samples overseen by a mariachi band belting out Spanish-language ballads.

The Supermercados will include no ethnic aisles, a smaller frozen food section, and fewer brands of peanut butter, a generally unpopular product among Hispanic consumers. But bakery will be larger, and an additional kitchen will serve nothing but tacos. All of the signage is in both English and Spanish.

Critics accuse Wal-Mart of racism for opening a separate Spanish-oriented grocery store. Yet Spanish grocery stores have existed for years, if on a smaller scale, in the form of neighborhood markets rather than a mass market retailer such as Wal-Mart. A grocery that suits the tastes of the local community can draw customers into the store; in this case, Hispanic customers can obtain products easily that would otherwise be difficult to find for them.

Discussion Questions:

What is Wal-Mart doing to appeal to specific demographic segments?

Wal-Mart is opening a grocery store that appeals to Hispanic populations by offering less frozen food and more items that appeal to Hispanics, such as a bigger bakery and a separate kitchen for tacos.

What the advantages and disadvantages of such a strategy?

Wal-Mart can cater to local tastes and the preferences that appeal to the Hispanic consumer segment. However, this catering may appeal only to certain segments and alienate other members of Wal-Mart's target population.

Outstanding Retailing Concepts

Use with Chapter 4, "Customer Buying Behavior," and Chapter 5, "Retail Market Strategy."

Judy Hopelain, "Secrets of High-Concept Retailers," *Retail Customer Experience*, May 12, 2009.

Three chains, serving three different market segments, are creating unbelievable retail experiences to keep their customers loyal.

American Girl has turned 25 and been purchased by Mattel, but the core product line, dolls, remains. To extend its appeal, the company develops related books, magazines, television shows, and movies to tell the story of each doll. At American Girl's stores and bistros, young girls and their parents can live the American Girl experience through live entertainment, white-linen restaurants, booster seats for the dolls, and a retail outlet that carries dolls and all their paraphernalia. The brand was rated as one of the top 50 brands by *Interbrand* in 2009.

Terrain, owned by Urban Outfitters, is a gardening and outdoor entertaining store that teaches planting and gardening classes. It also suggests ways to incorporate a garden into customers' eating and cooking. The concept has become a destination store that enables shoppers to learn about ways to grow their own and use local foods. Customers sense an attachment to the store because the experience it offers is unique to that site, an experience customers cannot replace at a different store.

Knockouts Haircuts caters only to men and tries to serve men in a way that appeals specifically to them. In its sports bar-like atmosphere, male customers can get shoe shines, cigars, and so on from the mostly female employees, who dress in skimpy outfits. Thus, haircuts account for only 60 percent of this chain's sales, compared with an industry average of 85 percent.

Discussion Questions:

Who are the target markets for American Girl, Terrain, and Knockouts Haircuts?

American Girl caters to young girls under 10 years of age. Terrain targets women involved in homemaking and interested in having a garden they can use to make meals. Knockouts Haircuts is for men who prefer a masculine atmosphere but also want additional services at their salon.

How are these stores reaching their target market?

American Girl has developed a story around each of the dolls so that it can sell various items related to the doll, as well as create an environment for the children and parents to enjoy together.

Terrain teaches its customers to plant and grow gardens, as well as how to use the garden's products.

Knockouts Haircuts creates a men-only environment with beautiful women to encourage customers to purchase additional services.

Friend-Based Merchandising

Use with Chapter 3, "Multichannel Retailing."

Amanda Ferrante, "Charlotte Russe Takes Social Shopping a Step Further with ShopTogether App," Retail TouchPoints, May 07, 2009.

Social shopping is becoming more and more user friendly. Instead of needing to export links to a third-party site, such as StyleHive or ShopStyle, new applications allow for collaborations with friends on the actual retailer's site. Friend-based merchandising means that customers bring their friends to the e-retailer so they can shop together.

Friends often influence shoppers when they are ready to make a purchase and offer recommendations; 65 percent of consumers say they trust their friends, whereas only 27 percent trust experts or salespeople's opinions. Retailers using technology to encourage friends to shop together online have already achieved a 15 percent increase in online sales and higher conversion rates, which refer to the number of browsing customers who become actual purchasing customers.

On the Web site of Charlotte Russe, an apparel retailer for teens, customer scan browse independently or see what friends are viewing, show friends some items, chat with friends, and save items in a favorites list. Other retailers using the ShopTogether technology include GNC and Lillian Vernon.

The art e-retailer Novica uses Sesh.com, a sophisticated technology that allows shoppers to discuss products in a chat window. Friends also can write notes to others in the various sections and use a "pen" to draw on the site. One person controls the navigation at a time, guiding the others through the site as they discuss the products together.

Facebook applications give friends easy access; many retail sites offer an "e-mail a friend" feature, which sends a link of the product to an e-mail address, as well as a Facebook link to invite friends' comments on a product.

Discussion Questions:

How are retailers using the ShopTogether technology for social shopping?

ShopTogether technology allows users to interact and discuss products with their friends on an e-retailer's site without having to go to a social shopping or third-party site.

What are the benefits of this technology to retailers? To their customers?

Retailers can keep customers on their site for longer because they are shopping with a friend. Customers are more likely to make purchases because their friends are offering their opinions

and influencing a purchase. These customers also can discuss products with their friends in a more user-friendly fashion.

Smaller Store Formats

Use with Chapter 2, “Types of Retailers,” Chapter 5, “Retail Market Strategy,” and Chapter 18, “Store Layout, Design, and Visual Merchandising.”

Kristina Shevory, “Mini Versions of Big-Box Stores,” *The New York Times*, May 20, 2009.

Big box retailers, such as Office Max, Best Buy, and Wal-Mart are trying smaller formats to respond to the recession. Almost as fast as retail chains are closing their stores, some are opening smaller formats for various reasons.

For example, retailers can build the smaller stores faster and operate them less expensively. Office Max’s concept store, Ink Paper Scissors, is only 2,000 square feet, compared with a traditional 18,000 square foot site. The smaller store offers just the basics of what customers would find in a typical big box store. Wal-Mart similarly is opening specialty food stores, and Best Buy already has 30 mobile phone stores.

In addition, the smaller format allows the retailer to focus on just a portion of its business. Best Buy Mobile stores offer 90 cellular telephones with service plans from nine carriers. These stores represent a significantly smaller investment by the retailer for both inventory and retail space, and also gives them a means to increase their footprint in the wireless market, a difficult task for its big box formats.

Lowe’s new 66,000 square foot stores are significantly smaller than the average 117,000 square foot centers and help the home improvement retailer test new or rural markets, new concepts, and niche products. Thus, the retailer is able to expand or withdraw quickly, with a lesser investment, approximately \$2 million less than that demanded for a typical Lowe’s.

Discussion Questions:

Why are some retailers developing smaller formats?

Retailers might develop smaller formats to test new markets or specialty product niches. These smaller formats save the company investment costs and are less risky than a full-scale retail store, especially for big box retailers, which must invest a lot in their usual stores and carry a large amount of inventory.

Teenage Retailing

Use with Chapter 4, “Customer Buying Behavior,” Chapter 5, “Retail Market Strategy.”

Tom Ryan, “The Buckle Bucks the Recession,” *Retail Wire*, May 19, 2009.

In its competition with American Eagle, Hollister, and Abercrombie & Fitch, The Buckle stands out by virtue of its 21 consecutive months of double-digit same-store growth.

The retailer’s merchandise mix consists of 70 percent national brands, such as Big Star, MEK, Lucky Brand, Silver Hurley, Billabong, Affliction, Roxy, and Ed Hardy, and 30 percent private labels. Other retailers, like Abercrombie & Fitch and American Eagle, carry their own store brand, which may not be able to sustain the same excitement as national brands. Additionally, the

Buckle's inventory management system enables it to receive daily deliveries to keep the merchandise fresh.

The Buckle's sales staff work on commission to motivate them to engage with customers. The staff are trained to find out what the customer likes and then encourage them into fitting rooms, where sales associates can bring more selections for their consideration. This level of service is unheard of at American Eagle, Hollister, and A&F, where sales associates may unlock a dressing room, but gathering merchandise is strictly on a self-service basis.

Merchandise selection and service levels create a sustainable competitive advantage for The Buckle, a 50-year-old chain that has not expanded very quickly. No stores appear in New York City or other major metropolitan areas. By keeping service levels high, it has managed to maintain a customer-centric retailing approach and an image for good value, even though the prices are by no means low.

Discussion Questions:

Who is The Buckle's target market?

The Buckle's target market is teenagers.

Why do you think The Buckle has been so successful?

The Buckle has a great selection of national brands and hires sales associates who actually help customers shopping in the store. The experience that customers receive encourages them to continue to shop at the store in the future.

In what ways may The Buckle be reinventing how teen apparel retailing should be done?

Teen apparel retailing is generally self-service. Customers are attracted to the Buckle because of its high customer service. Customers also like having different national brands, rather than just private labels like they find at Abercrombie & Fitch or American Eagle.

The Supermarket Revolution

Use with Chapter 2, "Types of Retailers."

Nicole Perlroth, "The Consumer's Temple," *Forbes.com*, April 30, 2009.

Prior to the 1930s, Americans shopped for their groceries in a very different manner. Consumers made daily trips to the butcher, baker, produce stand, and dairy. Wagons sold canned goods and prepared foods, but did not have a reliable schedule or consistent assortment.

Americans spent 21 percent of their disposable income on groceries and much more time shopping for food than they do now. The "modern" concept of the supermarket offered better variety, lower prices, and a one-stop shopping experience to shoppers. Supermarkets eliminated the need to make daily trips to the butcher, baker, and so on; instead, shoppers could consolidate all their grocery shopping into a weekly trip. As automobiles and home refrigeration became more common, the idea of stock-up trips also became more appealing.

Self-service supermarkets created so many efficiencies that they could offer much lower prices than their competition. They also offered a consistent and large assortment that was previously unheard of. Manufacturers benefited too because they could negotiate directly with supermarkets to gain shelf space, rather than depending on wholesalers to distribute their

products. When one of the first major supermarket chains, Big Bear, began in 1932, it grossed \$3.8 million in sales, equivalent to \$50 million 2009 dollars. By 1939, there were 5,000 supermarkets in the United States.

Today, consumers spend less than 6 percent of their disposable income on groceries and are accustomed to the grand innovations of mass merchandising, competitive pricing, self-service, and instant gratification.

Discussion Questions:

How did the advent of the supermarket revolutionize retailing in the United States?

The supermarket made it possible for more product variety, assortment and competitive pricing. Consumers could shop on a weekly basis and compare products in one store rather than shopping at many different shops to gather their daily groceries.

Target Changes its In-Store Branding

Use with Chapter 5, "Retail Market Strategy," Chapter 14, "Buying Merchandise," and Chapter 16, "Retail Communication Mix."

Nicole Maestri, "Target Ditches Bull's-eye for 'Up and Up' Arrow," *Reuters.com*, May 19, 2009.

One of the most recognizable logos around is Target's bull's-eye, which has appeared on the company's advertising for years. Yet Target is now saying bye-bye to the bull's-eye as it reinvents its private-label merchandise.

Private-label merchandise has become the new "chic" for savvy shoppers. Especially in the current climate, consumers are likely to trade down to private labels to save money. Retailers are perfectly happy to have them do so, because their margins generally are higher on private-label products.

Target's new private-label merchandise features a big, colorful arrow on a white background with the words "up & up" on the package. The "up & up" refers to the quality of the merchandise, as well as the uplifting appeal of the label in the dismal economy. Up & up also may counteract, even if subconsciously, the perception that customers are "trading down" to save money on the private-label version. Target's up & up brand sells for 30 percent less than national brand options.

The private labels at Target have already enjoyed success, with 25 percent compound annual growth during the past five years. It plans to expand its current stable of 730 private-label products to 800 by the end of 2009 by adding baby food and laundry detergent offerings.

Target is confident that the new packaging will encourage new shoppers to try the brand. It also should stand out on the shelf, whereas the bull's-eye was so familiar and pervasive that it may have started to blend in on shelves.

Discussion Questions:

What are the advantages and disadvantages of Target's new branding strategy?

The new logo should stand out because it is new and bold. It will also signal that customers are not trading down but rather being savvy. However, the Target bull's-eye remains a widely

recognized logo, so Target is losing the brand equity associated with its former logo and starting over.

How should Target design a transition strategy to communicate its new look with its customers?

Target should tell its loyal customers that it has a new logo so that they can look out for it. It should also consider phasing in the new logo while retaining the bull's eye on some products.