

Retailing Management  
**MKT3540-01**

**Spring 2009**

T/Th 9:45- 11:20 am

Classroom: Horn 154

[Mlevy@babson.edu](mailto:Mlevy@babson.edu)

Office: Kriebel 215

Office Hours: after class and by appointment

**WHO SHOULD TAKE THIS CLASS:**

Retailers lie at the end of the supply chain. They interface with the ultimate consumer as well as with suppliers. Retailers make investments in real estate and solicit funds from the investment community. Importantly, multi-channel retailing has all but revolutionized the retailing scene in the last few years. As a result, this course should appeal to a number of rather different Babson constituencies.

Retailing management

Suppliers to retailers (or any business selling inventory or services to retailers)

Real estate

Entrepreneurs

IT and e-commerce

Retailing Management is also one of the two required classes in the retail supply chain concentration. For more information on this concentration, go to [www.babson.edu/retail](http://www.babson.edu/retail)

**OBJECTIVES:**

Familiarize students with the decisions involved in developing a sustainable competitive advantage in retailing and the concepts and principles for making those decisions.

**NATURE OF CLASS MEETINGS:**

This course utilizes cases, experiential exercises, and class discussion. Little class time will be devoted to topics that the average student can readily comprehend on the basis of self-study.

For some topics, a discussion will precede a written assignment or case. Most of the time, however, students will be required to prepare the assignment or case by studying the material on their own. In either case, you will be encouraged to participate and ask questions.

**METHOD OF EVALUATION:**

There will be a two exams, a number of written exercises and cases, and several group presentations. Materials covered by guest lecturers will be included on the examination. Students are expected to arrange their personal schedules to be present. Students must inform the professor prior to turning in a late assignment or even valid excuses will not be considered.

Some assignments should be typed and double-spaced. The assignments will be graded for grammar, style as well as content, and in the case of presentations, presentation style.

For other assignments, you will prepare a PowerPoint presentation. When you turn in your PPT, utilize the notes convention so I can more easily assess your level of preparation. For some assignments, not every group will have time to present, so your notes for the PPT will be used to establish your grade. Please email your assignments to me at [mlevy@babson.edu](mailto:mlevy@babson.edu) prior to class. Any assignment submitted after the class starts will receive a grade of zero. Let's save a few trees!

## **PARTICIPATION**

Class participation is worth 100 points.

If you never contribute in class or if you miss several classes, you will receive a low grade (C, D, or E) for class participation. If you contribute occasionally but rarely add value your grade will be in the B-C range even if you attend every class. Grades of A are reserved for students who participate with insightful comments, experiences, or thoughtful questions in almost every class. You can ask for feedback on your participation performance at any time.

## **MISSED CLASSES**

I do not take roll. If you must miss a class when an assignment is due, but it is not your group, you can submit an individual written assignment for the missed class at the beginning of the next class session and it will count toward your class participation grade. If you miss a class when a group assignment is due, you will receive a zero on that assignment unless you have prior approval.

## **CASES**

There are four Harvard cases in this course: IKEA, L.L. Bean, Zara, Mitchells/Richards. We will also do the Santa Bears case (handout) and a merchandise budget plan case (handout and individual assignment). One or two groups will be assigned to develop answers to the discussion questions. Each group will then present a 10 to 15 minute discussion of the answers to the questions with the aid of PPT slides. DO NOT summarize the facts of the case. Everyone in the class will have read the case. You may, of course, use the facts to develop your discussion. The groups will email me their PPT with notes prior to class.

## **PRESENTATIONS**

There will be several ten minute (or so) group presentations. For some assignments, one or two groups will be assigned to make the presentation. For other assignments, all groups must prepare a presentation, and I will choose groups at random to present until we run out of time.

## **DISABILITIES**

Any student who is entitled to an academic accommodation based on the impact of a documented disability should contact me privately to discuss his or her specific needs. Please also contact Mary Powell, Manager of disability services, at 781-239-4508 or in Hollister Hall to coordinate reasonable accommodations.

## **TEXT AND CASE MATERIALS:**

*Retailing Management*, 7th edition, by Levy and Weitz, McGraw-Hill/Irwin, 2009.

Students are encouraged to explore the tutorials at [www.mhhe.com/levy7e](http://www.mhhe.com/levy7e) to help prepare for certain assignments and the exams. The tutorials are particularly useful for chapters 6, 13, and 15.

Case packets are available for sale at the Babson Bookstore.

## **ASSIGNMENTS:**

There is a total of **1000** points in the course. In the schedule on the last page, the (\*) points are the assignments that are done by select groups. On the first day of class, we will decide who will complete each assignment.

### **Internet Shopping—4 groups**

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Assignment due Jan 27
Assume that you are going to buy an engagement ring for your fiancée. Compare and contrast your shopping experience when you go to <a href="http://www.tiffany.com">www.tiffany.com</a> and <a href="http://www.bluenile.com">www.bluenile.com</a> . What are features of the sites do you like and dislike such as the “look and feel” of the site, navigation, special features you found useful or did not like, etc? How easy was it to locate what you were looking for? What was the checkout like? Etc?
Shopping comparison websites such as <a href="http://www.bizrate.com">www.bizrate.com</a> , <a href="http://www.pricescanner.com">www.pricescanner.com</a> , <a href="http://www.Pricegrabber.com">www.Pricegrabber.com</a> , and <a href="http://www.mysimon.com">www.mysimon.com</a> assist consumers in finding the best price for products. Go to these sites shopping for a woman’s sweater, a PDA, and a digital camera (Cannon Powershot SD1000). Report on your experiences with these sites and the feature they offer. What features do they have that you like? Don’t like? How could they be improved? Would you use them? Why or why not?
Go to Shopstyle.com and Stylehive.com. What are the purpose of these sites? How do they add value to customers? How do they make money?

What input, if any, do retailers have to this site? Evaluate the site. What features do you like and dislike, such as the “look and feel” of the site, navigation, special features, etc. How would you use this site?

Assume that you are getting married and planning your wedding. [www.theknot.com](http://www.theknot.com) and [www.weddingchannel.com](http://www.weddingchannel.com) are some web sites designed to help you plan your wedding. Go to these sites and describe your experience. What are features of the sites do you like and dislike such as the “look and feel” of the site, navigation, special features you found useful or did not like, etc? What are the specific services offered by these sites that you would use.

### **IKEA Case—Discussion Questions—2 groups due Feb 3**

(first group will take questions 1 and 2. Second group will take questions 3, 4, and 5.)

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1. Why is IKEA successful globally when other retailers stumble?
2. How is IKEA positioned relative to other furniture retailers?
3. What are IKEA’s bases for sustainable competitive advantage?
4. Evaluate IKEAs assortment.
5. What should IKEA’ retail format be like in 10 years?

### **Defining a Retail Strategy—all groups due Feb 5**

The purpose of this assignment is to give you an opportunity to get out and examine retailing strategy from an objective, professional, and non-consumer point of view. The assignment is to compare two retailers’ strategy as defined on pp. 134-143 of *Retailing Management*.

Choose a store to compare with “your store” that sells the same classifications of merchandise, e.g. Ann Taylor and Talbotts. Another alternative would be to choose two departments within different stores as long as they sell the same classifications, e.g. Juniors at Neiman Marcus and Juniors at Target. You could even choose one department within a department store and one specialty store with the same merchandise classifications, e.g. Brooks Brothers and the men’s suit department at J. C. Penney. The important thing is that these two stores/departments cater to two very different market segments.

Collect information on the two stores or departments by posing as a customer and interviewing a manager or buyer. Do not be deceptive about your intent. Most stores will be happy to help you. If they are reticent to help, please thank them and find another store. Some stores have policies against talking with the public about these kinds of things. You will also find that in many small chain stores, the manager has little knowledge about corporate strategy. So, plan ahead in case you have to go to more than one store. In the formal interview, you should be sure to have the questions thought out in advance. You may, of course, supplement your in-store visit with secondary research.

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### **Financial Strategy—all groups due Feb 12**

Compare financial strategies of “your store” and another store that sells similar merchandise categories, but to a very different target market. If yours is a high margin/low turnover store, compare it with a low margin/high turnover store.

Be careful how you choose your stores. Obviously they must be publicly traded or you won't get the information. Also, do not choose retailers with multiple divisions or your numbers will not make any sense. For instance, do not choose Ralph Lauren Polo because it is both a retailer and a manufacturer. Do not choose Marks & Spencer because its department stores will have very different numbers than its food stores.

Construct strategic profit models using the excel spreadsheet that can be found on the student side of the Online Learning Center at [www.mhhe.com/levy7e](http://www.mhhe.com/levy7e). Go to tutorials, and then to strategic profit model. Go through the tutorial until you see the spreadsheet on the lower left side of the screen. There is also a blank SPM on p. 591 of the text. Obtain data using its annual report that you can get either in the "investor relations" area of its web site or from the Edgar files at [www.sec.gov](http://www.sec.gov). or information as web sites like [www.hoovers.com](http://www.hoovers.com),

Explain, from a marketing perspective, why you would expect gross margin percentage, expenses-to-sales ratio, net profit margin, inventory turnover, asset turnover, and return on assets to be different for the two stores. Assess which chain has better overall financial performance. Your grade will be primarily based on your analysis of why these ratios are different.

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### **Santa Bears Case—Discussion Questions--One Group due Feb 10**

Handout

1. What was the unit gross margin and total gross margin for the Santa Bears? (Hint: do not include anything in gross margin that isn't supposed to be there.)
2. What was the actual profit for Santa Bears?

### **Location Analysis Presentation—All Groups due Feb 19**

Go to "Your Store."

Define and analyze their trade area. Specifically, what are the primary, secondary, and tertiary trade areas? What are their boundaries? Why? Do you believe that the population living in the trade area provides the most potential for this store?

Assess the site. Is it a good location in general? Is it good for "your store"?

Use Chapter 8 as a guide to prepare this assignment.

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### **Merchandise Budget Plan Case—Individual assignment due Mar 3**

Handout

Although this is an individual assignment, you can work with people in your group or others in the class in deriving your answer. You may do the plan by hand using the form on p. 604 or you may prepare the plan using the Excel spreadsheet on the Online Learning Center ([www.mhhe.com/levy7e](http://www.mhhe.com/levy7e)). You will need to prepare some intermediate calculations before inputting your answers onto the spreadsheet. Click on the Merchandise Management module. Click through the exercises until you get to "The Calculation Section." You can access an Excel-based, six month merchandise budget plan by clicking on the link "merchandise budget." Plug in the numbers from the case.

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On a separate sheet of paper, explain how you determined the sales forecast, percentage of sales per month, and monthly stock-to-sales ratios.

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### **L.L. Bean Case—2 Groups due Mar 26**

Discussion Question: L.L. Bean is experimenting with bricks and mortar stores. Evaluate what they are currently doing, and make a recommendation about how they should proceed in the future. Your evaluation should include an assessment of its retail format as defined on p. 647.

One group looks at how they are choosing their retail assortment; the other group looks at supply chain management and other aspects of their retail format. You should visit an L.L. Bean store to update the information in the case and get a feel for what they are trying and able to do compared to the flagship and online stores. The closest L.L. Bean store is at Wayside Common in Burlington MA. It is about 20 minutes north of Babson on I95 (Rt 128) The directions are at: <http://www.llbean.com/shop/retailStores/burlington/index.html>.

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### **Zara Case—One Group due Mar 31**

Discussion Questions:

On what bases has Zara developed a sustainable competitive advantage?

Are these efficiencies sustainable for expansion in the U.S.?

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### **Mitchells/Richards Case—Two Groups due Apr 9**

One Group: How do the Mitchells work toward keeping the four service gaps closed?

Other Group: Which elements of the retail mix will provide a sustainable competitive advantage?

How does Mitchells develop and maintain loyal customers?

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### **Store Layout and Design due Apr 16 and Apr 21 (All groups will present)**

Go to “your store” and evaluate the store layout, design, and visual merchandising techniques employed. Explain your answers to the following questions:

1. In general, is the store layout, design and visual merchandising techniques used consistent with the exterior of the store and location?
2. Is the store’s ambiance consistent with the merchandise presented and the customer’s expectations?
3. Does the store look like it needs to be redesigned? Do you think it needs a face lift, update, remodel or renovation?
4. To what extent is the store’s layout, design, and merchandising techniques flexible?
5. Notice the lighting. Does it do a good job in highlighting merchandise, structuring space, capturing a mood, and downplaying unwanted features?

6. Are the fixtures consistent with the merchandise and the overall ambiance of the store? Are they flexible?
  7. Evaluate the store's signage. Do they do an effective job in selling merchandise?
  8. Has the retailer used any theatrical effects to help sell merchandise?
  9. Does the store layout help draw people through the store?
  10. Evaluate the retailer's use of empty space.
  11. Has the retailer taken advantage of the opportunity to sell merchandise in feature areas?
  12. Does the store make creative use of wall space?
  13. What type of layout does the store use? Is it appropriate for the type of store? Would another type layout be better?
  14. Ask the store manager how the profitability of space is evaluated; for example, profit per square foot. Is there a better approach?
  15. Ask the store manager how space is assigned to merchandise. Critically evaluate the answer.
  16. Ask the store manager if plan-o-grams are used. If so, try to determine what factors are considered when putting together a plan-o-gram.
  17. Has the retailer employed any techniques for achieving greater space productivity such as using the "cube", down-sizing gondolas and racks, and minimizing non-selling space?
  18. Are departments in the most appropriate locations? Would you move any departments?
  19. What method(s) has the retailer used for organizing merchandise? Is this the "best" way? Suggest appropriate changes.
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### **Retail Simulation—All Groups due Apr 28**

We are fortunate to be able to be the first and only North American users of the Retail Game developed by John Pal and Mark Stubbs of Manchester Metropolitan University's Business School in the U.K. The game can be found at <http://www.theretailgame.com/game2.asp>. But you will need a username and password to play. It is case sensitive.

You will have one class to work with your group on the game. But preparation will also require time outside of class. In the subsequent class your group will present their strategy and decisions and be prepared to defend it against the other teams. Like the other group presentations, you should prepare a 15 minute (+ or – 5 minutes) PPT presentation.

You need to submit two documents

## 1. Print outs of the [www.theretailgame.com/game2.asp](http://www.theretailgame.com/game2.asp)

When you have completed all your decisions you will be able to print out your results page. The results page will list all of your decisions and a blank store layout. You will be asked to defend each of your decisions.

On the blank store layout you should identify where you would put all the chosen products and the non-selling areas, such as the cash wrap and the dressing rooms. Use a different color for each product and non-selling area, and include a color-coded legend. When you print out your final results page you will find that the space you have allocated is in both square feet and, in brackets, will be a figure that denotes the number of squares to be allocated on the store layout.

## 2. Accompanying PowerPoint report

The PowerPoint report that you hand in should include a print out of your results pages and the store layout plan. (Please submit only your final set of print outs, not every attempt you may have made). The PowerPoint report gives you the opportunity to provide more details on the justification for your choices, highlighting both strengths and potential weaknesses of your decisions. The report should, in particular, cover the key areas of overall strategy, stock selection, space allocation, staffing, and shrinkage prevention. You should note any best practice you may have seen in retail outlets with which you are familiar and used to make your decisions.

In making your decisions, consider the following:

- 1 **Have a clear marketing strategy** in terms of which customers you are targeting, and making sure your assortment plan reflects that target market. Do not attempt to “game” the Game. For instance, if you get a higher profit by not putting in dressing rooms, don’t do it. That obviously doesn’t make much sense. The profit function is not well integrated into the game. I will not grade you based on your profit, although I will consider it as part of your grade.
- 2 **Consider your overall objective.** Is it to maximize sales or profit.?
- 3 **Be able to justify how you allocated space to products.** Try to maximize your space productivity based on profit per square foot. This will require some calculations. You will have to multiply sales per square foot by profit margin, and then rank the products accordingly.
- 4 **The staffing allocation plans:** Match the hours allocated against the annual trading pattern (seasonality pattern) and allow for some flexibility, i.e., not 100 percent permanent associates. In the same way, you will need to consider the daily trading (sales) profile and allow for a mix of full and half day workers. The document called “Staff Scheduling Exercise...” is attached and should be helpful to you.
- 5 **Layout plans:** Make sure the it is easy to differentiate the different areas, probably by using different colors. Make sure you justify the adjacencies. Using best-practices stores to benchmark against will be helpful to justify where you put the three merchandise categories and where and how many fitting rooms and cash wraps are used.

- 6 **Be flexible with the Queen’s English.** This game was written in the U.K. and has not been adapted to American English. For instance, in the U.K. the term “turnover” is equivalent to “sales” in the U.S. It does not mean inventory turnover. “Smart” means “dressy.”
  - 7 It is easier to print everything out to get familiar with the simulation, but that is up to you. Assume that the average is an index of 100. So, if the index is 80, then it is 80% of average.
  - 8 The game can be a little finicky. If you have trouble getting in, use a different search engine or contact the help desk. They had to show me how to clear out some cookies and some other stuff.
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**\*Individual groups will be assigned to one of the following assignments.**

### SCHEDULE

Date	Class Activity	Reading Assignment	Assignments Due/Points
Jan 22	Class Introduction	Chapters 1,2	
Jan 27	Internet Shopping Presentations (4 groups)	Chapter 3	75*
Jan 29	“The Future of Retailing” Bryan Gildenberg		
Feb 3	IKEA (2 groups/split questions)	Chapters 4,5	75*
Feb 5	Strategy Presentations (all groups)		75
Feb 10	Financial Strategy Discussion Santa Bears Case (1 group)	Chapter 6	75*
Feb 12	Financial Strategy Presentations (all groups)		75
Feb 17	Location Analysis Discussion	Chapters 7,8	
Feb 19	Location Analysis Presentations (all groups)		75
Feb 24	Exam		175
Feb 26	Merchandise Budget Planning	Chapters 12, 13	
Mar 3	Trang Connolly TJX Merchandise Budget Plan Case (all groups) Open-to-Buy Assortment Planning		50
Mar 5	Customer Relationship Management Christine Anderson	Ch 11	
Mar 6	TJX Field Trip		
Mar 10	Chris Morrison, Oracle Assortment Planning Staple goods inventory management systems Legal issues in buying merchandise	Ch 14	
Mar 12	No class in lieu of Staples DC tour		

Mar 16-20	Spring Break – Go Shopping!		
Mar 24	Ethical and Legal Issues in Buying Merchandise	Ch 14	
Mar 26	L.L. Bean (2 groups/split issues)		75*
Mar 27	Staples DC tour		25 extra credit
Mar 31	Zara (one group) Merchandise Problems Due	Ch 10	75 (case)* 15 (problems)
Apr 2	Pricing	Ch 15	
Apr 7	Scott Friend (Bain Capital) Pricing (Max Margin Markdown Game) Pricing Problems Due Ethical and Legal Issues in Pricing		25 extra credit points to the winning team  15 (pricing problems)
Apr 9	Mitchells/Richards	Ch 19	75*
Apr 14	Exam		175
Apr 16	Store Layout Design and Visual Merchandising Presentations (all groups)	Chapter 18	75
Apr 21	Store Layout Design and Visual Merchandising Presentations continued		75
Apr 23	Retail Simulation preparation		
Apr 28	Retail Simulation presentations (all groups)		95

## LABOR SCHEDULING EXERCISE FOR RETAIL GAME

Created by John Pa<sup>®</sup> Senior Lecturer in Retailing, Manchester Metropolitan University, UK  
 Labor scheduling is critical to the efficient and effective operation of a retail outlet. Nowadays there exist automated systems to help managers compile labor schedules. However, for smaller retailers the investment might not be worthwhile. Irrespective of this, it is important for managers to understand the *principles* of labor scheduling as a computerised system will ask you to create certain rules, outline any constraints and input your trading pattern. FashCo has a clothing store in the centre of a large town. You are required to compile a standard daily rota for the store. It is open from 10a.m. to 6p.m. The hourly trading pattern is as follows:

	10-11	11-12	12-1	1-2	2-3	3-4	4-5	5-6	Total
Proportion of day's trade (%)	6	10	15	24	15	15	10	5	100

A large delivery arrives at 10 am and must be sorted by staff. There are two cash-wrap points in the store one of which must be staffed at all times, and the other at busier times; and, a block of dressing rooms that must also be staffed between 10 and 5 as a minimum. The cash-wrap (CR) and dressing room (DR) advisers should be identified on your rota.

You are permitted to use 4 full day (FD) staff who work 7 hours a day with a one hour lunch break that must be taken between 12 and 2. You also have the use of twelve staff that work a 4-hour shift known as part day (PD) but do not get any breaks. PD staff cannot start between 11 and 12.

How to complete the rota: Shade in the boxes to show when your chosen staff will work. The rota has been started for you in the following way: the first FD will work 10-6 and have a lunch break at 1-2; the first PD staff member will work from 10-2. Complete the rota using this technique and bearing in mind the information you have been given. You should total the number of staff on the floor during each hour by counting up the number of shaded boxes in each column and entering the answer in the bottom line of the table.

	10-11	11-12	12-1	1-2	2-3	3-4	4-5	5-6
FD								
FD								
FD								
FD								
PD								
PD								
PD								
PD								
PD								
PD								
PD								
PD								
PD								
PD								
PD								
PD								
Total number of staff on the sales floor								

Additional questions: How would you go about staffing the store for late night trading to 9pm at Christmas; and, how would you manage the increases in trade at busy times of the year?