November 2006

Dear Professor:

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

- Retailers Want to Sell More Items at Full Price
- Authentic Marketing pays off – Do NOT Lie to Your Customers
- Customers’ Opinions are More Important than Traditional Advertising
- Retailers Have Everything Planned out in their Store Layouts
- Abercrombie & Fitch Visual Merchandising Strategy
- Fair-Trade is Becoming Popular Among Fashion Retailers
- Fast Fashion is the Fastest Growing Retail Segment
- Shopping is Now Easier and Quicker Through your Cell Phone
- Lower Apparel Sizes Coaxes Customer to Make the Purchase
- Technology is Stopping Shoppers
- Subway is Locating in Nontraditional Locations
- A New Age for Internet Shopping

The articles in this and past newsletters are sorted by chapters in Retailing Management, sixth edition. If you are interested in the text book please visit [www.mhhe.com/levy6e](http://www.mhhe.com/levy6e). 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/crer/research/publications.asp](http://www.cba.ufl.edu/mkt/crer/research/publications.asp)
ABSTRACTS OF RECENT RETAIL ARTICLES

Retailers Want to Sell More Items at Full Price

Use with Chapter 6, “Financial Strategy,” and Chapter 15, “Retail Pricing”.


For years, retailers have lured customers into its stores by marketing its markdowns and offering sales. In the last two decades, discount retailers have emerged such as Wal-Mart and Target. Shoppers’ mentality is now such that they know that items will go on sale and will search for the great bargains.

Retailers are trying to figure out how it can reverse this cycle and encourage more customers to pay full-price. The prices of products are based upon what the market can bare. Although sales create traffic, it also sends a message to the consumer that they do not need to pay full-price.

In order to prevent markdowns, retailers are controlling the quantities that it buys for even very popular products. Inventory planning is very important to insure that products are limited and fresh. Some retailers such as Macy’s will advertise “Every Day Value”, saying that these products are not eligible for any additional discounting. Another obvious solution is to minimize the number of sales so that customers do not expect that they can receive a discount at the end of the season. Retailers can easily trick their customers into thinking that the store is always offering new products and quantities are limited by always changing merchandise displays.

These solutions to prevent customers from bargain hunting also increases gross margins and inventory turnovers. With more products being sold at full price, the gross margins are directly increasing. The inventory turnover is more efficient and increasing when the products are sold more rapidly as a result of leaner product quantities.

It is important for retailers to manage their inventories better and decrease its sale events to gain back its customer that will pay full price. Not only will profitability and gross margins increase, but the infrequent sales will make products be perceived to be a good value at the regular full price. Another long term concern is that retailers need to insure that a brands’ image is not devalued so that customers do not perceive it to be a lower quality product or one that will always go on sale.

Discussion Questions:

1. What are retailers doing to avoid markdowns?

   Retailers are limiting the inventory quantities so that products will sell out at the full price and not have to be marked down. Some retailers are promoting the value that its products have at the full price showing that these products will never be eligible for a discount. Lastly, retailers are limiting the number of sales that it is offering so that customers do not expect to receive a discount at the end of the season.

2. How will these strategies affect their gross margin and inventory turnover?

   The gross margin will increase when more products are sold at full price. When the full price is discounted, it directly decreases the gross margin. The inventory turnover is increased when more
products are sold and have to be replaced with the newer ones. Retailers that buy smaller quantities more often will have a higher inventory turnover.

Authentic Marketing Pays Off – Do NOT Lie to Your Customers

Use with Chapter 5, “Retail Market Strategy”.


The grocery store retailer, Safeway, decided to change its retail strategy after experiencing a loss in sales from the saturation of competition. The company decided to reposition itself, and it was necessary to tell its customers about the new experience that it was providing as well. It was successful in authentic marketing, or telling a story to its customers that was true, but before that, it had to make all of the changes.

Safeway is differentiating itself from Wal-Mart and other grocery stores by offering high quality products for low prices in a modern atmosphere. Their first move was to provide higher quality perishables and then to improve the retail design of the store. The grocery retailer offered higher quality tender beef, sweeter grapes, and fresher bread. While it was undergoing many changes, the company made sure that it would not market anything that it could not promise, thus waiting until the full plan was complete. The company hired a top retail design firm known for doing Barneys New York and Polo Ralph Lauren, and it was able to complete the wholesome and healthy lifestyle environment. Safeway spent $1.6 billion in renovations to the 1,775 stores.

The marketing campaign that it came up with was true to everything that Safeway had done and the customers believed it when they entered the store. Its slogan of “ingredients for life”, not only shows that Safeway has healthy and high quality food, but also that Safeway is a necessary part of their modern healthy lifestyle.

Safeway made the right decision to plan a marketing plan based upon true facts that would enhance the experience for the customer. Inauthentic marketing or marketing products or experiences that will not be seen by the customer are ineffective. This can be more detrimental to a company because the customer will lose trust in the retailer.

Discussion Questions:

1. What has Safeway done to reposition itself?

Safeway began by improving its selection of perishables. It provided higher quality tender beef, sweeter grapes, and fresher bread. After it has updated the products department, it hired the best retail design firm to renovate and re-design the stores. The environment and the new products made way for a wholesome experience for the customer.

2. How did they make sure they didn’t over-promise what they could deliver?

Safeway concentrated on the repositioning of their company so that it could be different that the rest of its competition. It focused on doing everything it could to offer a healthy experience, while still offering low prices. Safeway was able to update its product selection with higher quality ones and also improve the retail environment. It was sure to authentically market the company and tell a story that was based on the true changes that it had made. The marketing campaign was made after the changes were completed,
thus preventing anything false from being publicized.

Customers’ Opinions are More Important than Traditional Advertising

Use with Chapter 11, “Customer Relationship Management”.


Consumers make decisions based on recommendations from friends and family more often than they are influenced by a marketing claim from a retailer. Retailers are now utilizing companies that can bring the social aspect of shopping to the customer and connect them with other customers’ opinions.

On retailer websites, such as Petco, shoppers are encouraged to leave a review on the product. This creates a new way for customers to shop, because they are able to search by the products with the best reviews. Not only does this create a hype for certain products, but also the confidence that the customer is making the correct decision to make the purchase.

Companies that collect data on retail companies such as Bazaarvoice, provide the retailer with more than just the customer reviews. It analyzes the reviews so that the retailer can change its sales methods. Bazaarvoice is also gathering the products with the highest reviews and posting them on portal sites like MSN and Pricerunner.com. When a customer accesses the product via these sites, Bazaarvoice receives a 10 percent commission. This service starts at $24,000 per year. Its main competitor, PowerReviews.com is collecting reviews from companies and creating a site exclusively for its reviews. In comparison, Bazaarvoice plans to use all shopping portals to post its reviews.

The way in which customers shop online is changing. The technology for customers to communicate their opinions on the internet is being mass marketed. This will install confidence in consumers to trust products and ultimately make purchasing products easier.

Discussion Questions:

1. What are some retailers doing to get customers to communicate with them and other customers?

   Retailers are encouraging consumers to give feedback on the products that they purchase. Consumers that would see this product for sale in the future would be able to see the reviews on the product.

2. Why does this communication benefit the retailers?

   Consumers are more likely to purchase a product because of a recommendation from another friend than they are based on a retailer’s marketing. By having access to the comments made by other customers, the potential customer has more trust in the product. For the retailer, they are able to take this information and make adjustments to its sales methods. The information can also be used for marketing the products with the highest reviews.

Retailers Have Everything Planned Out in Their Store Layouts
Retailers have many ways that it engages its customers. Everything that is in a retail store is thought out very carefully, so that the customer will make impulse purchases, even if they did not plan on it. The retail experience is important for getting the customer in the mood and right frame of mind.

The scent of the store is important for retailers. Aromas can change a customer’s mood even quicker that seeing something appealing. Retailers such as Sony and Thomas Pink have developed their own signature scents for the store. For Sony, it believes that the vanilla and mandarin scent calms the customer, making the technology products not as intimidating. Thomas Pink stores smell of pressed shirts. Just as the smell of baked cookies evokes a positive emotion, every smell can create some sort of nostalgia, putting one in the mood to shop.

Music is another factor that plays with the shopper’s mood. The sounds in a store can change the customers’ frame of mind instantly. In Pottery barn, 1950’s cocktail music is played. Music can make one relaxed or happy.

There are many ways to entice the customer to enter the store. Abercrombie & Fitch does not display any clothing in the window, but the exterior looks like a Greenwich Village apartment. The lighting and comfortable environment causes the customer to stay and hang out. Many times retailers will put highly profitable goods like handbags, or cosmetics at the front of the store. These stores are giving the customer ideas as they enter.

Lastly, the way in which one moves through the store is strategic. The customer is immediately placed on a track with obstacles in the way to encourage one to stop and look. Mini stores within stores are placed along this path as one journies through the store.

Retailers are becoming more and more sophisticated with store merchandising. There maybe nothing that the customer really needs to buy, but the in-store experience should entice one to be emotionally obligated to have a few things. Watch out shoppers!

Discussion Questions:

1. How do retailers use atmospherics to influence how you shop?

Retailers use atmospherics to put the customer in the right frame of mind to shop. The in-store experience influences the customer based on subliminal undertones, such as the scent of the store, the music or sounds, and the layout. Depending on whether the retailer is trying to relax the customer or make the customer happy will depend on the retail design choices that are made.

Abercrombie & Fitch Visual Merchandising Strategy

The marketing strategy at Abercrombie & Fitch is distinctive from most retailers. This retailer creates a unique clubby environment for high school kids in a retail experience. Abercrombie does not do a lot of advertising, but focuses its marketing on the ultimate visual merchandising of the store, using salespeople.
as live mannequins.

There is not a single detail in the Abercrombie store that has not been thought out to the nth degree. From the exterior of the store, all that can be seen are the greeters with chiseled figures and the black and white provocative photographs. The store is inviting because it is mysterious as to the clothes that are inside, and the only hint one gets are the beautiful people who are beckoning you in the store. The store has dimmed lights with dark lounge furniture. The pumping dance music elicits the clubbing atmosphere, making young shoppers want to stay in the store. Men’s cologne, Fierce is constantly spritzed throughout the store for a sexy appeal.

Abercrombie is also strategic in hiring sales people to compliment the décor and club atmosphere. The company hires employees that can create a “unique store experience synonymous with our casual, American classic and aspirational heritage” as well as “understand that A&F’s brand-powered momentum is fueled by additional lifestyle reinforcement, or sex”. It is not uncommon for the company to advertise on Craig’s list for models. These sales people ensure that the company manual known as the “bible” illustrating the way in which the store will look is executed perfectly. The salespeople, easily mistaken for models, wear green shirts with jeans and are happy to serve any customer.

Abercrombie is very successful in creating a buzz for their clothing from the unique store experience. Although their store displays and imagery can be provocative, it ultimately entices all of the customer’s senses so that they will shop in Abercrombie. Abercrombie’s nightclub feel makes it so that teenagers feel cool and somewhere that they could fit in with their friends.

**Discussion Questions:**

1. **What is A&F’s strategy for hiring salespeople?**

   A&F is looking to hire salespeople that understand the nightclub and sexy atmosphere of the store. The company is looking to hire the American classic-looking female or male that will enhance the retail experience. A&F actually advertised on Craig’s List for models. The salespeople are a vital part of the company’s marketing, so they must be model quality and support the Abercrombie image.

2. **What is A&F’s strategy for store design and visual merchandising?**

   The stores consist of dark lounge furniture with dimmed lights and pumping dance music creating a clubbing atmosphere. The company bible is used for the salespeople to implement the perfect design and layout of the store. The store design and visual merchandising is the company’s most important marketing tool. The strategy is to create a fun, night club experience for teenagers who otherwise are too young to attend such events.

3. **Is their hiring and store design strategy consistent?**

   Yes, because the store design and hiring strategy implement its marketing strategy. The salespeople and the visual design of the store have a sexy appeal while still having the American classic feeling. The retail experience is unique when the customer enters Abercrombie as if everything has been placed perfectly.

4. **Does it work for you?**

   *(Sample Answer)* Yes, the Abercrombie environment is fun because as a customer you are surrounded by beautiful people and a perfectly designed store. The dance music and the Fierce cologne that scent the store makes one become immersed in the Abercrombie experience. The customer wants to shop around the store.
Fair-Trade is Becoming Popular Among Fashion Retailers

Use with chapter 5, “Retail Market Strategy,” and Chapter 14, “Buying Merchandise”.


Retailers have been trying to be more ethical when it comes to its supply chains. Some retailers have even marketed its friendly labor practices and fair trade agreements. A retailer that conducts business in accordance with fair-trade means that it does not use child labor, pays legal minimum wages and follows the labor laws. Previously, hemp bags, belts or other non-fashion items were made under fair-trade agreements. Today, there are a few retailers that both conduct fair-trade businesses and sell fashionably appealing clothing.

A new retailer, FairIndigo.com, is now producing clothing for mass-market consumers who want upscale clothes. FairIndigo.com is going above and beyond when it comes to using ethical labor practices. The company realizes that simply following the labor laws and promising minimum wages is not adequate for these workers. FairIndigo’s CEO, Bill Bass, has spent a lot of time researching its factories, and as a result offers its workers higher wages and benefits, such as on-site medical treatment, than similar companies.

FairIndigo is not free from competition. Bono, the U2 lead singer, has a fair-trade fashion brand called Edun that is high-priced and sold at Saks Fifth Avenue and Nordstrom. FairIndigo, on the other hand, is targeting the mass-market with its lower prices. For example, an Edun cotton cardigan sells for $430 at Saks and a cashmere cardigan sells for $139 at FairIndigo.com. American Apparel is another widely recognized fair-trade retailer that sells basic clothing such as solid colored T-shirts at reasonable prices.

Fair traded merchandise is increasingly more important to consumers and is perceived as adding value to apparel. FairIndigo.com, in particular, is providing clothes that are suitable for the mass-market and are not charging the consumer a premium for its ethical supply chain and fair labor laws.

Discussion Questions:

1. What is Fair Indigo’s merchandising strategy?

Fair Indigo is producing upscale casual clothing for the mass-market consumer at reasonable prices. The only distribution channel is through the Internet.

2. Do you believe Fair Indigo’s merchandising strategy will provide it with a sustainable competitive advantage?

(Sample Answer) Yes, it will have a sustainable competitive advantage because its merchandising strategy is unique in marketing its fair trade. Fair Indigo is pricing its products so that it is accessible to the mass-market consumer. By marketing only online, it is reducing its operating costs.

Fast Fashion is the Fastest Growing Retail Segment

Use with chapter 5, “Retail Market Strategy”.

The retailers selling “fast fashion” have become the most popular among customers worldwide. Fast Fashion is characterized by being able to deliver runway fashions within a few weeks. Retailers such as H&M, Zara, MNG by Mango, Target, and Forever 21 have an incredible turnaround from the design to the retail level and can have fashions available in record time compared to designers. Retail sales of fast fashion increased 10% in the last two years compared with 3-4% growth in the retail apparel market.

The disposable fashion industry has become ever so popular because the customer can always buy the most up to date fashion for a low price. These fast fashion retailers have trained consumers to shop often because there is always something new. H&M, Target and Zara have created a hype by offering limited edition designer labels specially made for these retailers. For example, H&M had designers, Stella McCartney and Karl Lagerfeld, create exclusive lines similar to those from their couture collections. An H&M McCartney sweater was priced at $79.90 while the designer label sweater cost $1665. Each of these retailers has created huge excitement around the products by creating an urgency to buy now!

Consumers like to mix designer pieces with low-priced pieces, because it actually displays style. With retailers such as H&M, its customers can now be quite fashionable without spending the highest prices. Consumers that are used to spending $300-400 for a Marc by Marc Jacobs dress can opt for a very stylish one from Zara at $129 or H&M at 24.99.

**Discussion Questions:**

1. **Describe H&M’s retail format.**

   H&M sells highly fashionable low-priced merchandise. The retailer is characterized by having fast fashion—meaning that it is producing and delivering runway style clothing to the customer much faster than designer runway labels. Its main marketing is through creating the hype and excitement around the clothing. One way that the retailer does so is by having designers such as Stella McCartney creates an exclusive line for their store. These products sell out within hours of hitting the retail floor. They often locate in prime retail locations.

2. **Who are the primary competitors in the fast-fashion space in the U.S?**

   There are many disposable fashion retailers in the U.S. including Zara, Target, Forever 21, and MNG by Mango. Zara offers the latest fashions at slightly higher prices than H&M, but is still considered to be low-priced.

3. **What are its sustainable competitive advantages?**

   H&M has a sustainable advantage because they can create excitement with their exclusive line. For example, it is the only fast fashion retailer to sell the Stella McCartney line of clothing. This retailer is also able to produce clothing in record times insuring that it is always at the top of fashion. This retailer is also very good at securing high traffic locations that are very desirable.

**Shopping is Now Easier and Quicker Through your Cell Phone**

Use with Chapter 5, “Retail Market Strategy,” and Chapter 16, “Retail Communication Mix”.

The cell phone is becoming popular as an information gathering tool for shoppers. Today, cell phones have endless features that are becoming less and less expensive. 67 million cell phones were sold in the first half of 2006; that is a lot of cell phones!

Retailers want to eliminate loyalty cards and use the cell phone to contact its customers. For example, Meijer, the grocery and gas station chain, has been text messaging customers before it would raise gas prices so that customers would want to get gas immediately at the low price. The shopper’s cell phone number is becoming as important as a social security number for identification. A customer’s cell phone number gives the retailer access to the customer in real time so that it can send promotions, event information etc.

Grocery chains are moving towards making this industry more efficient via the shopping process as well as improving its customer relationships. The cell phone will soon allow customers to checkout at the grocery store via their cell phone, making this process instantaneous. The cell phone will also allow customers to view their grocery lists even when they are not in the brick-and-mortar store.

Today’s active lifestyles mean that customers always have their cell phone with them. Grocery shopping can now be a quick and easy process like going to the ATM machine. Although the cell phone is a gold mine for information and an instant way for the retailers to contact their customers, it can only be effective if the notifications are filtered and not just perceived as another form of SPAM.

**Discussion Questions:**

1. What are retailers doing to tap into the proliferation of new cell phones features?

Retailers want to use the cell phone as a source for contacting customers. Grocery retailers want to eliminate loyalty cards and contact customers in real time. Customers will also be able to shop on their cell phone and authorize payment so that they can checkout instantly.

2. Which of these retail strategies would you use with your cell phone?

*(Sample Answer)* I would do my grocery shopping on my cell phone. This would mean that I could do it whenever and wherever I was, saving me from the inconvenience of going to the brick-and-mortar store. I would not like to receive text messaging notification from retailers about promotions because I would consider that to be trash or SPAM.

**Lower Apparel Sizes Coaxes Customer to Make the Purchase**

*Use with Chapter 4, “Consumer Behavior” and Chapter 14, “Buying Merchandise”.*

Jocelyn Noveck, “Women’s clothing sizes may be totally random, but we still care what number’s on that tag,” San Diego Times Union, September 12, 2006.

Consumers are influenced by many things when purchasing clothes. The size of a garment is definitely one of the most important aspects for a woman. Today retailers have made garment sizes more generous than they formally were. For example, a size 6 today, may have been a size 10 a few years ago.

The term “vanity sizing” is when retailers make the size in labels smaller than they really are. This practice is thought to make customers feel better about themselves. Customers are more likely to purchase the item if the size on the label is what the consumers believe they should wear or lower. One woman bought an expensive, designer, very short, hot pink dress. She was not particularly fond of the dress, but was
emotionally obligated to buy it, because it was a size 2. This purchase made her feel so good about herself that it did not even matter what she was wearing.

Talbots Inc. did a survey of women’s fixation on size and found that 62% of women would only consider clothes that were in their perceived size. Many women will not consider clothing if they have to go up one size, let alone two sizes. Sizing is very much an important emotional part of a purchase.

Some women are not happy that the size in the label is not accurate to typical sizing. Although they may be flattered by the smaller sizing, it makes it more difficult to shop online. A customer may know that they are a size 6, but when they order the size 6 online and it arrives and it is truly an 8, it can prevent that customer from shopping at that retailer ever again.

A women’s size matters and it is by no means standardized even within one retailer or manufacturer. Although retailers may win some customers over with their vanity sizing, other customers are frustrated with the ambiguity and difficulty that occurs for them when shopping. However, there are many of us that would love to be a size 2, so if the retailer wants to make a size 2, the new size 6, then many of us will have a good day of shopping!

Discussion Questions:

1. Why are some retailers experimenting with different sizing schemes for women’s apparel?

Retailers realize that sizing is an important part of the decision to make a purchase. For some women, it may even be the most important factor. When a woman is able to fit into a size 2, her confidence goes up dramatically. If a size can emotionally evoke a positive self image and the consumer makes the purchase, then it makes sense to skew the sizing accordingly.

2. Does the size of a garment affect your propensity to purchase it?

(Sample Answer) Yes, I am more likely to make the purchase if I am won over by the small size written on the label. Even though no one else will see the label, it builds confidence, knowing that I am wearing a smaller size than I would expect to be wearing. On the other hand, a size that is bigger than I would expect to purchase can ruin the entire day, forcing me to walk out of the store empty handed.

Technology is Stopping Shoplifters

Use with Chapter 17, “Managing the Store”.


Shoplifting is a huge problem for retailers and they are implementing new technologies to reduce the number of thefts. In 2005, stores lost $30 billion to shoplifting and employee theft. Professional shoplifting has also increased from an average shoplifting incident of $265 in 2003 to $855 per incident in 2005. There are many technologies retailers are using to control theft, prevent it and become smarter than the thieves.

Some retailers such as Macy’s, CVS and Babies ‘R’ Us stores have a Video Investigator. This video surveillance system is not just video taping the scene but also taking note of unusual behaviors such as too many items being removed from a shelf, or people entering a back door at 2am. The system then sends an alert so that it can be checked out by an employee.

Many shoplifters simply use the technique of running out of the store with a full shopping cart. Retailers are making use of Gatekeeper Systems Inc, that utilizes RFID technology. An RFID chip is placed in the
The system automatically jams the wheels on the cart so that the thief cannot go any further.

Retailers are also implementing systems for negligent shoppers who forget to pay for items that may not be seen on the bottom of the shopping cart or have been “forgotten”. Cameras that are inches off the ground can see if the items under the cart still need to be paid for.

Other invisible detectives include tags that are inserted in clothes where the customer has to cut out the tag after purchasing the item, such as at J. Crew. Although retailers would like to implement the RFID tags on all items in order to track their exact location, it still remains costly.

Lastly, cash registers are monitored closely. When unusual transactions occur, it is flagged as a potential theft. For example, if a sweater was returned 10 times in a row at one register, this would cause an alert in the system. This could mean that the employee was returning fake merchandise or being tricked to make the fraudulent return. Another flag at the register may be excessive manually entered credit card numbers signaling that an employee was stealing a customers’ information.

As shoplifters are becoming more sophisticated, retailers are also making large investments in combating the problem. The combinations of these systems will help to keep the merchandise and customer information secured. It is still costly to implement these systems unless it is for a large retailer.

Discussion Questions:

1. What are retailers doing to curb shoplifting?

Retailers are implementing smart cameras into its stores to spot shoplifting behavior before it actually occurs. These systems act as gatekeepers or alerts so that any unusual behavior patterns of employees, customers or merchandise is investigated. Some retailers utilize RFID tags to monitor the locations of merchandise. For example, when these tags are placed in shopping carts, it has the ability to stop the cart from rolling if there is merchandise in it that has not been paid for. The cash registers can see whether an employee is being forced to steal or is stealing customer information.

**Subway is Locating in Nontraditional Locations**

Use with Chapter 7, “Retail Locations”.


When driving down main streets or highways, numerous choices for fast-food chains can be found along side of the road. The number of locations in traditional locations are now very limited. Retailers such as Subway have been innovative in finding new locations by making use of non-traditional locations.

Subway has actually created a division of the company that focuses on nontraditional locations. 22 percent of Subway stores are now located in nontraditional locations. It has been able to surpass the number of McDonald’s locations and sustain its growth because of this innovative approach. It is easier for Subway to make use of these locations because the stores typically do not take up the kind of space that a McDonalds would, for example. Since their menu is cold-cut based, the kitchen requirement is much smaller.

Subway has 1,200 locations inside Wal-Mart and many inside Home Depot. The first kosher Subway opened in a Jewish Community center. They are not limiting themselves from churches either. While it is not always easy entering such nontraditional locations, Subway has made adaptations. For example, the
menu for the kosher restaurant had to be changed which even involved some new product development including soy-based substitutes for cheese. Subway also believes that it has a more captive audience in these locations because it is not drawing traffic from the street, but capturing an audience that is already at the location and did not expect to find a Subway.

As a result of Subway not limiting itself to traditional quick-service locations, it is gaining important locations which other retailers will want in the future. The company is a leader in this location growth expansion and will continue to grow because of its focus on new store development. Subway’s menu makes it easier for it to be creative with their location selection because the most cooking that happens, occurs in the microwave!

Discussion Questions:

1. In what nontraditional locations is Subway locating?

Subway is locating in Wal-Mart stores and Home Depot stores. It has just opened its first kosher restaurant in a Jewish Community Center and one in a church.

2. Why is Subway locating in nontraditional locations?

The traditional quick-service locations available are very limited or non existent. In order to maintain the growth that it has had, its new nontraditional locations can support this. It also attracts a captive audience at these locations because it is not only drawing street traffic, but customers that are already there and would not expect to find a restaurant.

3. What other retailers are or should locate in nontraditional locations?

(Sample Answer) Many coffee shops, non-chain sandwich shops, Starbucks, and Dunkin Donuts are currently located in nontraditional locations. Retailers that should locate in nontraditional locations should be those that do not use a lot of space or have products that do not need extensive preparation such as large fryers or grills.

A New Age for Internet Shopping

Use with Chapter 3, “Multichannel Retailing,” and Chapter 16, “Retail Communication Mix”.


Shopping online has not been a seamless experience for either the retailer or the consumer. For online only retailers, it is difficult to compete with large multi-channel companies that are able to spend exorbitant amounts on marketing. Consumers have generally used the Internet to buy specific purchases rather than for the shopping experience. For example, consumers normally have a good idea of what they were looking for when they shop online.

The Internet makes it difficult to browse for products as one typically would in a retail bricks and mortar store. For example, when shopping online, one may be looking for a plasma screen TV, but one is not looking or thinking about purchasing unrelated products when making this purchase. When trying to build multiple item sales, online retailers are limited to the products that it can show bundled with such a product. On the other hand, if one were to shop for a plasma screen TV in a bricks and mortar retail store, they would stumble upon many other products along the way, such as CDs.

Since shoppers often do not know exactly what they want to buy ahead of time, sites such as
Kaboodle.com, Wists.com, ThisNext.com, and StyleHive.com have introduced a new category of e-commerce called “social shopping”. These sites enable customers to make their own shopping lists. This way customers shopping online can view their friends’ lists and can see popular products. These shopping lists link other customers to where this product can be purchased. Enabling customers to share their shopping lists encourages more browsing when shopping online. For instance, one may want to buy a plasma screen TV, but also see that their friend bought some new speakers from a small online boutique, encouraging this customer to also browse this new website for cool speakers, thus expanding the customer’s range for online shopping.

Social shopping on the Internet is still very new, but with popular sites such as MySpace.com, customers are becoming accustomed to the sharing of information, such as fashion and interests. Customers can now browse products online from many different retailers, not just the mainstream ones that one may think of like Amazon or Wal-Mart.

**Discussion Questions:**

1. What are the benefits of sites like ThisNext.com to small Internet retailers, to consumers?

*Small Internet retailers have previously had a difficult time competing with large retailers with huge marketing budgets. Now that consumers can make shopping lists that can be shared, it takes less people to get the word out about the company. For example, if one person found a great product on a small retailer’s website, then maybe five other people would also like this product, attracting more traffic to its website.*

*For consumers, they are able to browse what other people have bought to get ideas and to broaden their shopping horizons. This is a more lateral approach to shopping online rather than just having one product in mind and searching for only that.*