Dear Professor:

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

- Fashion Advice from the Fashion Director of Neiman Marcus
- Department Stores Thriving; Some Specialty Stores Not
- Stores that Pop-Up! Disappear! And Yet Do Not Go Out of Business!
- Videos on Web Sites Draw More Customer Traffic
- Buy the Jeans, the Shoes, and Even the Couch from Grey’s Anatomy
- Wal-Mart Opens in Chicago to Mixed Reviews from Residents
- Millennials Want Designer Labels Too: Coach, Tiffany, Louis Vuitton!
- JCPenney Changes its Image—And It Means Business!
- Internet Sales: No Need for a Retail Storefront?
- The Gap Closes 35-Plus Store After 18 Months
- Major Changes at Home Depot Reinforce its Image
- Exclusive Music Increases Hard Copy CD Sales
- JCPenney Inspired by Designer Runway Collections

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. 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
ABSTRACTS OF RECENT RETAIL ARTICLES

Fashion Advice from the Fashion Director of Neiman Marcus

Use with Chapter 16, “Retail Communications Mix.”


Neiman Marcus recently developed a blog for its Web site to report on the top trends and reviews from New York Fashion Week. The report aims to excite customers about new fashions for the upcoming season; Ken Downing, the fashion director at Neiman Marcus, takes notes about each designer’s fashion show, writes up a summary with his opinions, and then sends it to headquarters to publish as a finished version on NeimanMarcus.com for all to view.

The blog also attempts to market products, so the report only features products sold through the retailer. Most designers’ lines are not critiqued but rather subjectively observed to inform consumers what will be hot for the next season. Although Neiman Marcus calls its report a blog, the objective style gives credibility to the designers and their merchandise.

The site also contains links that enable customers to view current collections by the designers. When each report comes out, Neiman Marcus sends e-mails to its 1 million subscribers, notifying them that Downing’s notes have been posted. Traffic flows to the Web site in response, creating great excitement about the clothes. Customers interested in fashion want to find out what is new and very well may be swayed when they discover that, for example, Ken Downing loves the new Marc Jacobs collection.

Although Neiman Marcus uses its online communications to hype top-notch designer merchandise and provide inside information about the best pieces for the next season, the blog creates excitement early; when the collections reach the retail stores, six months later, much of that buzz has dissipated. However, the report provides value from a marketing perspective, especially in terms of pushing traffic to the Web site. Thus, Neiman Marcus increases its contacts with its more than 1 million subscribers.

Discussion Questions:

1. What unique value does Neiman Marcus’s blog offer to customers?

   Whereas most blogs contain opinions from a broad range of contributors, Neiman Marcus’s is focused specifically on reports about upcoming fashions. Therefore, customers who visit the Web site likely feel as though they have a step up on what will be trendy, especially because the author of the blog is relatively credible.

Department Stores Thriving; Some Specialty Stores Not


With each new retailing development, predictions about the death of department stores ring out, and yet department stores continue to provide sufficient reasons for customers to shop there instead of in other retailing channels. Recently, Nordstrom’s, Federated Department Stores, Neiman Marcus, and JCPenney
have achieved top performance levels, whereas specialty stores like Talbot’s, Chico’s, The Gap, and Ann Taylor have been floundering.

The size of department stores continues to offer customers an advantage, because they can shop for many different items in one place, making it a “one-stop-shop.” To compete with the unique selections that specialty stores offer, many department stores have brought in newer, more exciting offerings while still maintaining their reliable brands.

In addition, department stores have recognized that they need to address the reasons customers shop at their stores. Federated Stores now consists of 860 Macy’s stores; the large increase in the number of stores has also increased the company’s new customer traffic. Macy’s has expanded its designer brand selection and private-label merchandise to include exclusive lines from Oscar de la Renta and Tahari. As the owner of Bloomingdales, Federated also is the biggest seller of Ralph Lauren products in the country.

Neiman Marcus uses a different approach, focusing on customer loyalty programs that reward customers who spend at least $5000. Compared with Saks Fifth Avenue, it achieves almost the same level of sales with fewer than half the number of stores. Neiman’s loyalty program members spend 20 times more than non-members, which implies the program offers real incentives for customers.

In contrast, specialty stores have focused on trendy fashions that may not resonate with customers. For example, Ann Taylor Loft was forced to discount its fashion-forward clothes. When specialty stores work well, they offer unique items and provide a special advantage; therefore, such stores must focus on what they are good at, as Abercrombie & Fitch and Coach have done, to maintain customer loyalty.

Department stores may have been around for a long time, but it does not appear that they will be going anywhere soon, because they still provide many perks to customers. Although specialty stores may be new and different, customers still value the department store retailing strategy.

Discussion Questions:

1. Why are department stores performing better than they have in the past?

   Department stores now offer exclusive products, more designer brands, and a customer loyalty focus. Customers drifted to specialty stores to find special merchandise and get first-class treatment; now that department stores offer these perks, they appeal more than specialty shops to customers.

2. Which department stores are doing best, and why?

   Neiman Marcus is succeeding because it focuses powerfully on its customer loyalty programs, which offer rewards to customers who spend more than $5000. Federated Department Stores, which owns Macy’s and Bloomingdales, now runs 860 stores that offer exclusive merchandise and a larger selection of designer brands. Thus, the reasons for their success differ.

Stores that Pop-Up! Disappear! And Yet Do Not Go Out of Business!


Sandra Jones, “Pop-Up Stores Aim to Create a Buzz in Fleeting Existence,” Tribune Staff Reporter, February 27, 2007.

What is the latest way to create buzz? Consumer product companies and retailers are generating excitement by opening “pop-up” stores, or stores that only exist temporarily. Newness initiates buzz
around a brand, and stores that last for only a short time give customers a sense of urgency. Pop-up stores thus offer mature brands a great way to create interest among consumers.

In its first retail store, a vacant art gallery on North Michigan Avenue in Chicago, Kraft Foods will market DiGiorno Ultimate frozen pizza from March 9–11, highlighting its claims that the product is equivalent to home-delivered pizza.

Among other brands, Lexus, Target, and Nike have enjoyed great success with pop-up stores for new product launches. Lexus previously occupied the same art gallery Kraft is using on Michigan Ave. to showcase a new sedan. JCPenney introduced its Chris Madden home collection at Rockefeller Center, and sneaker brand Fila opened a pop-up on Melrose Avenue in Los Angeles. For the month of November and only in New York, Nike sold a special edition basketball shoe, named after NBA All-Star LeBron James.

Pop-up stores give new life to companies in ways that go beyond just showcasing a product. When a pop-up store opens, usually in a vibrant location, consumers perceive the opening as an experience or event. Whether or not they like pizza, consumers regard the Kraft retail store as a hip place to check out and get drawn in by the spectacle. The marketing benefits the manufacturer receives from this buzz is irreplaceable, because the next time consumers see DiGiorno pizza in the grocery store, they connect the exciting experience with the product offering.

Discussion Questions:

1. What is a pop-up store?

   A pop-up store only lasts for a temporary time and serves to create buzz about the product and the company.

2. Why have retailers and manufacturers started opening pop-up stores?

   Companies open pop-up stores especially for their new product launches. These temporary stores make the products seem larger than life, because consumers can experience the new products in a new and exciting atmosphere. Manufacturers like Kraft Foods that have never opened a retail store also create a lot of buzz associated with the opening of a first-ever store.

Videos on Web Sites Draw More Customer Traffic

Use with Chapter 03, “Multichannel Retailing,” Chapter 11, “Customer Relationship Management.”


The popular site YouTube allows consumers to view, post, and rate user-generated videos. To ride this trend, many businesses are including user-generated videos as features on their Web sites.

On 1-800-Flowers.com, users can film their own videos, upload photos, write messages, and choose special effects and music that the Web site then blends together into a 60-second clip. Although not actually a video, the movement and sound gives the same effect. Such clips create an emotional connection not only between users but also with the site. In other words, the combination of music and pictures and the creation of a personalized clip creates nostalgia for the customer, who in turn appreciates the special item the site has enabled him or her to create.

Golfsmith.com also is experimenting with user-generated videos, reasoning that consumers will buy more if they can watch videos of the products available on the site. However, this site and others must offer an
incentive to consumers, who must work harder to deal with videos than they would if they could simply upload some photos.

As companies involve customers more and more by adding user-generated videos to Web sites, traffic to the sites is increasing. 1-800-Flowers.com even does the logistical work in creating the video; the user just has to submit the content. Retailers can gain credibility and give customers an additional reason to shop by allowing them to communicate through these videos.

**Discussion Questions:**

1. How are retailers exploiting user-generated videos to involve their customers and create a greater sense of community?

Retailers like 1-800-Flowers.com connect with customers by allowing them to share photographs, messages, and music through 60-second clips the site develops for the user. Other retailers also believe users may value visual reviews of products. Therefore, sites such as Golfsmith.com can gain credibility and highlight the features that the products provide to customers.

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**Buy the Jeans, the Shoes, and Even the Couch from Grey’s Anatomy**

*Use with Chapter 16, “Retailing Communications.”*


Our celebrity-obsessed culture is driving the media’s move into shopping-enabled entertainment. Many Americans no longer watch commercials on TV, so manufacturers have to find a new way to target customers—they strategically place products in popular shows to ensure they will be seen. As shows feature more and more stealthy advertisements, start-up companies also are moving to the next level and offering products from shows for purchase.

On SeenOn.com, consumers can shop for the clothes and accessories worn by characters in their favorite shows. Dying to have the polka-dot dress worn by Diane Keaton in the film Because I Said So? Just check the Web site to purchase it in your size.

Such brand and product recognition is not new to television or its consumers, but the new Web sites make it easier for customers to connect with the actual products. Carrie Bradshaw wore Manolo Blahniks throughout Sex and the City and made the brand a household name. Previously, consumers would have to spend considerable time trying to find the exact shoes from the show; today, they can watch a show and then log on and purchase everything that appeals to them.

Explicit product placement constitutes a $4 billion market, including Coke or Cheerios placed in digital media. Product placement that includes non-identifiable products as well could be worth up to $100 billion if it considers everything seen in a show, such as the type of paint on the walls. Thousands of products appear in shows; on Desperate Housewives, Gabrielle’s Aston Martin is an explicitly placed product, but her makeup is less explicit. How many people went out and bought an Aston Martin because she had one? But how many people wanted to look as beautiful as she and would love to buy her makeup brand?

Sites like SeenON! also can take advantage of the benefits of impulse purchases, because consumers can purchase True Religion jeans at the very moment they see Izzie wearing them on Grey’s Anatomy. During prime time television hours, SeenON! makes sales while conventional retailers are closed. For consumers driven by celebrity fashions and the specific products they see on celebrities, these sites offer instant star status, rather than just eyeing them in Us Weekly, weeks after the celebrity has worn them.

**Discussion Questions:**
1. What are some manufacturers and Internet retailers doing to stimulate demand for products that appear in the media?

Manufacturers connect with their customers by placing products directly in prime time television shows. Many consumers skip commercials by using digital video recorders to watch shows. Internet retailers are taking product placement to the next level by offering both identifiable and unidentifiable products from shows on sites like SeenON! These companies stimulate demand because consumers feel motivated to shop while they are being entertained.

2. Why are product placements becoming so popular?

Consumers watch commercials less and less because of digital video recorders, so product placement offers a means to target consumers who are interested only in watching their favorite shows. Product placement also is more interactive than a commercial because a viewer who desires a product he or she sees on a show can buy it immediately.

Wal-Mart Opens in Chicago to Mixed Reviews from Residents


Is Wal-Mart trying to make friends with the neighbors or scaring them off the playground? Opening in Chicago, its biggest city market to date, Wal-Mart faces many potential benefits as well as many challenges.

Typically, the world’s largest retailer locates in rural areas, where it faces little resistance. Large cities have been more reluctant to host Wal-Mart, because the Big Box retailer often forces small businesses to close. Having considered a variety of debates and concerns, Chicago has decided to give Wal-Mart a chance to embrace the community.

The City of Chicago sees several potential benefits of introducing Wal-Mart to residents. Wal-Mart acts as an anchor store that attracts a lot of customer traffic, which benefits surrounding retailers and draws other retailers that want to be placed next to Wal-Mart. In this case, the city hopes that rather than Wal-Mart forcing small businesses to drown because of their incomparably low prices, the increased traffic could actually be an advantage to them.

In return, Wal-Mart is working hard to show Chicago that it has made the right decision by acting in ways that seem almost too good to be true. The retailer has bought ads in local newspapers for small businesses and plans to help more businesses in struggling economic areas.

Not only to surrounding businesses appreciate the support of the new “big man on campus,” but local customers do too. In catering to the 90% of African American and Hispanic customers on the West Side of Chicago, Wal-Mart sells clothing, music, and foods specifically targeted to customers’ interests. The new store also houses a “Uncle Remus Saucy Fried Chicken” restaurant, a perk for many customers.

Recognizing that its success in Chicago will be a litmus test for its potential entrance into other major cities, Wal-Mart has concentrated on its reputation. Whether that focus is simply a façade or a true dedication to the success of its neighbors will only reveal itself with time.

Discussion Questions:
1. How is Wal-Mart altering its one-size-fits-all strategy?

In an urban community, the retailer is helping small businesses by placing ads in local newspapers and campaigning as a store that wants to develop a positive relationship with the community. It has changed its assortments to appeal to African American and Hispanic customers, which make up the majority of its local market. Even offering an onsite restaurant, the retailer appears to be doing all it can to succeed among Chicagoans.

Millennials Want Designer Labels Too: Coach, Tiffany, Louis Vuitton!

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


Designer goods—not just for adults anymore! Brand-conscious children and teens, also known as “millennials,” who have been exposed to high-end designer labels by their Baby Boomer parents constitute a highly appealing market for brands that can catch on to the “youth trend” and target both these younger customers and their parents.

Neiman Marcus partnered with Theory, Tory Burch, and Nanette Lepore to create 31 exclusive dresses for its 5F department, which attempts to attract younger shoppers to Bergdorf Goodman. Dooney & Bourke, Coach, and Tiffany’s offer aspirational products, also known as starter luxury products, for teens. These branded products still provide the name but also entail a lower price point to allow this significant target market access to the prestige items.

To capitalize on the youth trend, marketers also continue to use even younger faces to represent their brands. Designer Marc Jacobs has hired Dakota Fanning to promote its entire 2007 spring collection in W and Vogue magazines, and Dooney & Bourke calls Emma Roberts, the niece of Julia Roberts and an actress herself, the face of its advertising campaign.

The youth market, consisting of those younger than 18 years, has become increasingly brand conscious as a result of brand references in Web sites, rap music, movies, magazines, and MTV. Marketers no longer assume that children cannot afford luxury products and instead work to make their access more and more a reality. Designers are happy to capture this market at an early age, but will today’s teens embrace this brand loyalty over their lifetimes, or will they eventually move past the ideals of brand consumption?

Discussion Questions:

1. Why do marketers target teenagers and children with designer labels?

Brand-conscious teenagers and children are ready to consume high-end fashion labels. If they can capture teenagers, marketers could enjoy their luxury consumption over a long lifetime.

2. Why market and launch new aspirational products?

Aspirational products carry the same brand names, such as Coach, Tiffany & Co., or Dooney & Bourke, but are priced lower to make them accessible to the target market. Consumers who buy aspirational products might be able to purchase true designer products in the future, so these aspirational products serve as stepping stones to luxury products.

3. Using the criteria for evaluating market segments, evaluate the millennials.
Actionability: The customers in this segment have similar needs because they are adolescents and young adults; therefore, they fall into the same age demographic. Although this customer segment does not clearly define what they want, they are brand conscious and demand designer products.

Identifiability: Retailers can estimate the size of this market and thus are able to know with whom to communicate.

Accessibility: Millennials can be communicated with in a variety of ways because of the various platforms with which they interact, namely, TV, cell phone content, magazines, the Internet, and so forth.

Size: Adolescents and young adults make up a large segment of the market that a unique strategy could support.

JCPenney Changes its Image—And It Means Business!

Use with Chapter 9, “Human Resource Management.”


JCPenney, the centennial retailer, is celebrating its great leaps in reinventing itself by aiming even higher. Since the hiring of a new CEO in 2005, the company has committed itself to a new era of reformation and success by reinvigorating its management and marketing better to its customers.

To change its image among customers, JCPenney also is changing the image of its corporation. Employees may decorate their office space as they choose, follow a casual dress code, and call everyone by first name. At the company Christmas party, more than 7000 employees enjoyed a live band and alcohol. The company wants to ensure that employees understand that such changes are permanent, not just a temporary phase.

In addition to enhancing employee outlooks and spirit, the new CEO has taken employee training into his own hands. Penney executives visit successful companies such as Southwest Airlines, Wegman’s Supermarket, and The Container Store to gain an understanding of what makes for an effective corporate culture. At a retreat for 40 of the best Penney buyers, logistics staffers, and district and store managers, the CEO and top executives spent 164 hours teaching attendees themselves.

The retreat’s success involves not only training but also networking possibilities throughout the company. Employees who never would have met in other circumstances can use their new relationships to their advantage. The training excites existing and new employees alike. As word has gotten out about Penney’s reformation, new interns and employees have streamed in from New York’s Fashion Institute of Technology. Penney’s dedication to employee training also is exemplified by its 35,000 new checkout computers, which ring up sales of course, but also allow employees access to news and training during lulls on the sales floor.

JCPenney management thus appears to be leading the company into the future. Convictions about the company’s products and mission should trickle down to employees and ultimately to the frontline of the sales floor. In learning from the best companies and building a strong culture that will be contagious to customers, the company is moving above and beyond best practices.

Discussion Questions:

1. How is corporate culture changing at JC Penney?

The corporate culture is being transformed into a casual atmosphere with well-trained employees. Top executives study other great companies to lead the company toward its new status and image, but training also includes employees on the retail frontline.
2. What impact do you think these changes will have on sales and profitability?

The strong management and reinvented corporate culture should prompt changes in Penney’s environment and merchandise: by recruiting from top fashion schools and hiring new employees who want to join the excitement, the company should attract more customers, which will improve both sales and profitability.

Internet Sales: No Need for a Retail Storefront?


Will small retailers give up their retail storefronts and only sell through their Web sites? Perhaps not yet, but many retailers have begun to consider such a move. The Web is no longer just a marketing tool; retailers increasingly use it to increase revenues.

A small gift shop can make 80% of its sales online to customers across the globe. Such retailers have been able to grow their online business because of the decreased cost of online retailing software. Now that the sites are equipped for sales, small retailers can access a global customer base.

Small retailers always have struggled with revenue because they lack sufficient foot traffic. Thus, it only makes sense to attract more customers via the Web. With the Web attracting so many, and in some cases the majority, of sales, retailers begin to wonder whether their storefronts should exist at all, especially considering the space required and the huge overhead costs.

However, despite the impressive benefits of Web sales, retail storefronts remain necessary to promote a company’s brand and image. A physical address gives customers a sense of security and legitimacy, because it seems more like a real business.

Because of the abundant variety available online, products sold through a Web site offer competitive prices, and many retailers therefore confront the difficult challenge of integrating the Web into their business without cannibalizing their in-store business. However, the Web continues to build fields of dreams for small retailers that likely never expected to gain access to such a large audience of customers.

Discussion Questions:

1. For small retail entrepreneurs, what are the advantages and disadvantages of selling online?

Advantages: Small retailers enjoy decreased overhead costs compared with bricks-and-mortar retail stores. In addition, because small retailers can now afford online retailing software, they achieve greater access to the large customer base on the Web.

Disadvantages: Web sales can cannibalize in-store sales. Some small retailers cannot compete with the low prices offered across the Web.

The Gap Closes 35-Plus Store After 18 Months

Use with Chapter 5, “Retail Market Strategy.”

The Gap announced the closing of its Forth & Towne stores because of poor sales, lack of potential, and the need to focus on its core brands. At the same time, the former CEO, along with other company leaders, have resigned or been fired because of poor performance throughout all its divisions: The Gap, Old Navy, Banana Republic, and Forth & Towne.

When it was introduced in August 2005 to target women over the age of 35 years, Forth & Towne aimed to compete with the then-successful retailers Chico’s and Coldwater Creek. However, the brand never provided outstanding product offerings and appeared rather boring in a competitive market.

The choice to close Forth & Towne is based not only on poor sales but also the company’s need to focus on its core brands. The Gap’s brands have struggled to stay trendy and maintain sales in competition with retailers such as Abercrombie & Fitch. Spread too thin as it was, none of The Gap’s brands was performing successfully.

The large shakeup at The Gap also has led to scrutiny of each part of the company. It is hard enough to launch a new brand, especially when the rest of the company is not doing well, so narrowing its focus should boost The Gap’s sales in the future.

**Discussion Questions:**

1. **Why is The Gap shutting down Forth & Towne?**

   *Forth & Towne never showed promising growth and was not improving The Gap’s overall sales. In addition to its poor performance, the company wants to focus on its core brands, which also have not been performing well. By focusing its resources on The Gap, Old Navy, and Banana Republic, the company gains a better chance of increasing sales among its remaining brands.*

**Major Changes at Home Depot Reinforce its Image**


Back to school or back to basics? Home Depot, which recently ousted its CEO Robert Nardelli and replaced him with Frank Blake, expects some positive changes from returning the company to its original image. Nardelli tried to expand the company beyond the core competencies that had made it the second largest retailer in the country (see the October newsletter), but Blake is stripping away the fat and focusing on providing customers with the service they expect while also building a strong corporate culture to support the company’s reoriented focus.

Home Depot offered the best customer service because it hired skilled workers like plumbers or electricians. When Nardelli began to focus on the store’s productivity rather than its customers, Home Depot cut costs by hiring more part-time employees. The people who had made the company so strong were gone, and the employees in the orange aprons now were unknowledgeable about the products and thus unable to help customers. Nardelli also started a wholesale-supply division of the company to attract bigger contracts.

Not only was the focus of the company lost, but the corporate culture was dying as well. To signal the impending changes he planned, Blake started with himself and executive management. He reduced his
own pay to $8.9 million, compared with the $39.7 million Nardelli was receiving. The “Inverted Pyramid”
became the icon to represent that the customers rise to the top, above the employees, who themselves
sit atop upper management. Blake also created a “fun fund” to give $3000 to each store to spend as it
chose to improve employee moral with parties, outings, and so forth.

The emergence of a stronger corporate culture that understands the values of the company has prompted
Blake to consider spinning off the wholesale-supply division to streamline the company’s focus. The
wholesale business earns much smaller margins than the retail division, and after all, in retail is where the
company excels.

The changes to the company, starting at the top, indicate Blake’s commitment to his customers and
employees first. The company could still be number one in customer service and gain back customers it
lost to its biggest rival, Lowe’s. If they return, customers now will find knowledgeable professionals who
are happy to help them indulge in their fantasy of the ultimate paint color for their living room.

Discussion Questions:

1. What problems was Home Depot having before Blake took over?

   The company had lost focus. It no longer was providing excellent customer service, because it had hired
   part-time employees rather than knowledgeable professional workers.

2. What changes has Blake made?

   Blake is reviving the corporate culture, starting with his dramatic salary cut. His focus on employee morale
   should encourage them to deliver great customer service. To streamline the focus of the company, he
   wants Home Depot to be a retail home improvement store and spin off the wholesale-supply division.

Exclusive Music Increases Hard Copy CD Sales

Use with Chapter 12, “Planning Merchandise Assortments,” and Chapter 15, “Pricing.”


Hard copy music sales are decreasing more each year as consumers purchase music online. Retailers
are coming up with innovative solutions for customers to buy music CDs: They are making licensing deals
with music artists to product exclusive CDs. Customers are more likely to purchase music while shopping
for something else, however the exclusivity of certain CDs makes those retailers a destination.

A customer buys something at Starbucks, but it is not coffee, nor a pastry: The customer is only there for
the new James Morrison, Undiscovered, CD that just came out! Starbucks has been successful with this
exclusive strategy even with new artists. The retailer already draws in 44 million weekly customers that
would potentially be lured by a unique offering. Big-box retailers are catching on to this strategy with a
variety variations.

Wal-Mart has an exclusive with Garth Brooks including, The Entertainer, which includes never seen
before footage of the artist’s life. Retailers are also providing exclusive content on CDs, such as a bonus
track or extra features like downloads at WalMart.com.

For Target, the retailer benefits from the exclusive content because it is marketing-heavy. While a retailer
normally would not buy television time to advertise music, the exclusive aspect is valuable to the retailer
from a marketing point of view and pulls customers into the store.
In a competitive retail market and a changing music industry, artists and retailers are privately branding its products to increase customer appeal. If a customer wants the new Garth Brooks CD, they have to go to Wal-Mart to get it. The fact that the CD is only sold in one place also makes customers curious to check out the product.

**Discussion Questions:**

1. Why are big-box retailers such as Target and Wal-Mart adding exclusive music to their assortments?

*Music sales have been dropping, so retailers are pulling customers to buy music because it can only be bought in one place. Whether, there is extra exclusive content, or an entire CD, customers will have to visit that particular retailer to buy the product. Customers that go to the store to buy the CD will also shop in the store for other products, therefore increasing its traffic.*

**JCPenney Inspired by Designer Runway Collections**

*Use with Chapter 12, “Planning Merchandise Assortments,” Chapter 14, “Buying Merchandise.”*


There are the designer runway collections, including those from Marc Jacobs, Chloe, and Missoni, and then there is “cheap & chic” fashion, like that featured by H&M, Zara, and Target. Cheap & chic fashion offers the latest trends but is produced for the mass market using inexpensive materials. The very competitive cheap & chic market has forced retailers to grow more efficient in bringing products to their own markets.

JCPenney gains inspiration from runway collections. The retailer predicts mainstream trends for a future season, six months ahead, on the basis of designer collections. The trend director watches the runway shows over the Internet and decides which parts of the featured high fashions will be suitable for middle-income shoppers.

As JCPenney has learned, it does not pay to underestimate the fashion sense of the average customer, who has become far more fashion conscious and now demands that retailers compete with H&M and Zara, which have made fast fashion into virtually an art. Fast fashion retailers take approximately 17 weeks to move merchandise from concept to availability in stores; JCPenney still takes about 40 weeks for this same cycle.

Although its cycle is much longer, JCPenney has improved dramatically on its previous turnover time of two years just a decade ago. That is, two years after designer collections appeared in fashion stores, consumers could expect to find them in JCPenney. Now the retailer attempts to offer the same trends sold in the high-end stores simultaneously.

Runway observations play key roles in its product development process, but JCPenney also concentrates on what consumers buy during the previous season. To keep the selection new but still appealing, stores continue to feature some popular, reliable styles.

In the risky fashion industry, predicting trends for the season accurately means everything to the retailer. If the merchandise is too fashion forward, consumers will not relate to it, but if the merchandise is not sufficiently fashionable, they will not buy. Clothing that seems just off and does not correlate properly with existing trends prompts a loss of sales and larger markdowns. Fast fashion retailers are driving the trend toward making fashion available to everyone and forcing the business to attain greater efficiency than ever before.
Discussion Questions:

1. How do middle-tier fashion retailers such as JCPenney interpret and utilize information from fashion shows?

Retailers recognize trends from designer fashion shows and consider whether they might be popular among the mass market. Buyers have to ignore some high-fashion choices and focus on what customers will accept and buy. Using what designer collections produce, middle-tier retailers can develop their own fashion-inspired lines and still get them to stores at the same time.