This newsletter provides teaching tips and summarizes article abstracts for case discussions for the following topics:

- The Favorite 50 (Chapter 4)
- Google Struggles to Unseat Amazon as the Web’s Most Popular Mall (Chapters 3 and 15)
- You’re Looking Mansome Today (Chapter 4)
- New Web Victim: Office-Supply Stores (Chapters 2 and 5)
- Retail Customer Experience: Three Examples of Radical Differentiation at Lululemon (Chapter 5)
- New Wrinkle in Men’s Wear: Shops Just for Men (Chapters 5 and 17)
- Robo-Pricing: The Latest Pricing Game (Chapter 14)
- Deal Junkies Hurt Stores’ Profits (Chapter 14)
- Can the Retailing Industry Take a Lesson on Social Media from DSW Shoes? (Chapter 15)
- How to Incorporate QR Codes into Your Email Strategy (Chapter 15)
- Retailers Introduce Indoor Navigation in Apps (Chapters 17 and 18)
- Kroger Loses Some Wait (Chapter 17)

If you are interested in the text book please visit www.mhhe.com/levy8e. 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.warrington.ufl.edu/mkt/retailcenter/research/publications.asp
Teaching Tips

Additional Material for Teaching Retail Classes

A website, part of the University of Florida Miller Center for Retailing Education and Research, provides materials for retail class instructors including:

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

The website is available at
http://warrington.ufl.edu/mkt/retailcenter/teachretail/

Please consider sharing your materials with other instructors through this website by sending your course syllabi, classroom exercises, projects, teaching types, etc. to bart.weitz@warrington.ufl.edu or mlevy@babson.edu
The Favorite 50

Susan Reda, September 2012, Stores Magazine

Use with Chapter 4, “Consumer Buying Behavior”

Every year STORES’ Magazine, in conjunction with BIGinsight, conducts a survey to determine the Favorite 50 online retailers.

This year, Amazon.com topped the Favorite 50 retailer list for the sixth year in a row.

<table>
<thead>
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<td>10</td>
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<td>31</td>
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<td>44</td>
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<td>N.R.</td>
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<td>Eastbay.com</td>
<td>Wausau, Wis.</td>
<td>49</td>
<td>sporting goods</td>
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Source: BIGinsight™, Monthly Consumer Survey, June 2012

In addition to the Favorite 50 listing, BIGinsight also provides insights into consumers’ behaviors while shopping online. Some interesting findings include:

- 43% of adults search for maps or directions regularly.
- 31% of adults search for travel deals online.
- 29% of adults search for restaurants online.
- 50% of Generation Y consumers surveyed (those born between 1983 and 1993) search for entertainment online and 46% of Generation Y consumers search for movies online.
- Generation X consumers (those born between 1965 and 1982) also shop for entertainment and movies online, but is also the demographic group most likely to search for product information and comparison shop online.
- The Silent Generation (shoppers born before 1945) search online with less regularity, but 15% search online for medical information and services.

BIGinsight also found that the number one reason consumers begin an online search is because of a face-to-face communication. However, 36% of respondents suggested that coupons spark an online search.

91% of consumers regularly search the Internet to research products before making a purchase. Electronics, apparel, and shoes are the most researched products.

**Discussion Question:**

Are you surprised by the Favorite 50 list? How do you view these retailers?

Ask students to discuss their thoughts on some of the retailers included in this list. Do they shop at these retailers? Why or why not?

*Back*
Google Struggles to Unseat Amazon as the Web’s Most Popular Mall

Claire Cain Miller and Stephanie Clifford, September 9, 2012, New York Times

Use with Chapter 3, “Multichannel Retailing,” and Channel 15, “Retail Communications Mix”

Most online product searches and comparisons begin with either Google or Amazon.com. These two powerhouses are waging battle to become the top online mall for consumers. Google is a search engine, rather than a retailer, but it is quickly entering the e-commerce market with its Google Shopping service which allows customers to comparison shop. Amazon.com is the world’s largest online retailer; however, people increasingly use Amazon.com as a search tool when deciding what to purchase. In 2009, almost 25% of shoppers began a search using Google and 18% started on Amazon. In 2011, almost 33% started on Amazon and only 13% started on a search engine like Google.

Google is hoping to encourage customers to begin their searches with them by enhancing the Google Shopping platform. Google now requires companies to pay to be included in shopping results on Google Shopping. The rationale for this move is to make sure that product information is up-to-date and that consumers aren’t polluted with obsolete product information. Google believes that requiring payment makes the data it receives higher quality. Google is also using this strategy to make more money from retailers. However, people increasingly use Amazon.com as a search tool when deciding what to purchase. In 2009, almost 25% of shoppers began a search using Google and 18% started on Amazon. In 2011, almost 33% started on Amazon and only 13% started on a search engine like Google.

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Some retailers are discouraged by Google’s pricing. Most retailers say that Google is the most important source of online shoppers, but that it is very expensive to pay to list all of their products. Small businesses are finding it hard to compete with huge budget companies like eBay, Best Buy and Walmart. Google is trying to help small businesses by developing a Trusted Stores program to vouch for retailers’ reputations, especially the smaller ones.

Some retailers feel trapped by the new payment component for Google Shopping. However, the 63% of retailers that have begun paying have noticed that revenues per product listing have tripled and that the number of people who have made purchases through Google shopping has increased by 50%.

Discussion Questions:

From a shopper’s perspective, what is the difference between Amazon and Google?

Google is more of a search engine that shoppers can use to search for deals; the Google Shopping feature also lets consumers comparison shop as well as search. Amazon, unlike Google, is a retailer where consumers can actually purchase products. Many consumers also use Amazon to search for products and comparison shop.

When you search for merchandise, do you use Amazon or Google? Why?

Ask students which they use more frequently when searching, Google or Amazon. Do they start with Google and then switch to Amazon or just start with Amazon? What is their overall search process?
What is Google’s strategy for making it the first stop on a shopping search?

Google has asked retailers to start paying to be on its Google Shopping site. This ensures less spam and better quality communication for customers. It also ensures that retailers will maintain inventory levels and assortment strategies better.

Why are retailers having trouble with Google’s strategy?

Some retailers, especially smaller retailers, are having trouble with Google’s strategy because they cannot afford to pay to be on the Google Shopping services. Bigger companies with larger wallets like Walmart and Best Buy have an advantage with the Google Shopping service.

Do you believe that Google will unseat Amazon as the Web’s most popular mall?

Ask students if they think that Google will become a bigger mall than Amazon. Consumers are conditioned to purchase products off of Amazon currently. It might be difficult to convince consumers to switch to Google.
You’re Looking Mansome Today

Steve Smith, September 27, 2012, Engage: Men

Use with Chapter 4, “Customer Buying Behavior”

Men are becoming more engaged shoppers with a growing pension for luxury and fashion. Retailers who typically target only females should rethink their target markets. The role of the male shopper is quickly changing.

The National Retail Federation reported that the average male spent 50% more offline and 100% more online than the average female shopper during 2011 Black Friday sales.

Men outspend women by 20-30% on Gilt Groupe’s websites.

Of the nation’s 19 million affluent males (those earning at least $100,000 per year), a full 40% shop online twice a week, 45% spend more than $4,000 per year, and 13% spend more than $30,000 per year. Men also spend 20 to 30% more per transaction than women do.

The men’s luxury market is outperforming the women’s luxury market in all categories. Luxury menswear grew 14% last year.

Men are twice as likely to make a purchase off of Pinterest as female users.

Experts suggest these changes in men’s tastes could have important marketing implications for retailers. First, men are becoming more appreciative of value and experiential shopping. Secondly, men no longer want to be seen as the sidekick in a couple shopping experience. They want to be treated as a significant shopper and decision maker. Thirdly, the shopping market needs to appeal to changing male tastes. This includes all channels from the store to the mobile site. Fourth, retailers should recognize that men are more likely to be repeat purchasers than women, with a 53% retention rate. Fifth, men are still not 100% confident in their choices, so retailers should think of creative ways to educate these consumers. Finally, men might be shopping on Pinterest more because they appreciate that items are pre-selected and endorsed by a trusted source. Retailers should find ways to integrate this type of endorsements into more shopping experiences for the male consumer.

Discussion Questions:

What are some trends in male shopping behavior?
Men are spending more per transaction than women. During special sale events like Black Friday, men are spending up to twice as much as women. Men are spending more on luxury items and men’s wear. The market for men’s wear is growing at a faster rate than women’s wear.

What can retailers do to capture more male share of wallet?
Retailers traditionally focused solely on the female consumer. Now retailers are placing special emphasis on the male consumer by offering space dedicated specifically to men. In order to attract male customers, retailers need to engage them, create value for them, and meet their needs through every channel.
Retail analysts are citing big-box office supply stores as the latest retail victim of the recession and the digital age. Office supply stores cite declines in small business growth, decreases in government budgets, and increased competition from online stores like Amazon.com as the main drivers of decreased sales. Executives from these stores also cite the iPad as a contributor; the use of mobile and handheld devices has decreased the need for personal computers, printers, and accessories.

Office supply retailers are also suffering because of changes in consumer behavior. Many customers might visit a retailer, but then comparison shop online. This is especially true of electronics and home office equipment.

Office Max, Office Depot, and Staples have all had year over year declining sales. These companies are now focusing on smaller stores that provide the consumer with convenience. The bigger stores are now seen as unproductive and “wasted space.” Office supply retailers are also attempting to grow business through electronic channels. Staples, for example, is also focusing its turnaround strategy on online operations. Currently, Staples is the second largest online retailer, next to Amazon, with online revenue of around $10 billion annually.

**Discussion Questions:**

1. **Why are office supply stores suffering?**

   *Office supply stores are suffering because of the decline of small business growth, decreases in government budgets, and increased electronic competition.*

2. **What are they doing to combat their slow sales problems?**

   *Office supply stores are reducing the sizes of their brick and mortar locations to increase sales per square foot. These retailers are also focusing on growing through electronic commerce.*

*Back*
Retail Customer Experience: Three Examples of Radical Differentiation at Lululemon

Denise Lee Yohn, September 25, 2012, RetailCustomerExperience.com

Use with Chapter 5, “Retail Market Strategy”

According to Lululemon’s top designer, Lululemon has been successful and enjoyed differentiation because it zags when everyone else zigs. Here are three ways that Lululemon zags:

1) Lululemon doesn’t do formal market research or use a customer relationship management system. Rather, executives spend hours in Lululemon stores every week watching how customers shop and listening to their complaints. Lululemon also trains employees to be customer advocates. Salespeople eavesdrop on customer conversations to collect information and feedback about products.

2) Lululemon uses scarcity instead of discounts to generate demand. Lululemon sells merchandise at full price and conditions customers to “buy it when they want it” rather than wait for a sale. Customers know that there is only a limited supply of items.

3) Lululemon does not offer top-notch customer service. Lululemon does not try to be like Nordstrom’s or become a personal shopper for customers. Its returns’ policy is very strict; all products must be returned within 14 days with original tags and unwashed and unworn. Lululemon staff is friendly enough, but they don’t try to be something that they aren’t.

Discussion Questions:

How does Lululemon zag instead of zig?

Lululemon differentiates itself in three ways: the company does not engage in formal market research, it conditions customers to pay full price, and it does not offer top-notch customer service.

If you were running Lululemon, would you do the same thing?

Ask students if they agree or disagree with Lululemon’s strategy. Would they adopt these same behaviors? Lululemon is one of the most successful retailers right now. Do students think that they can continue this growth and success with their current strategies?
New Wrinkle in Men’s Wear: Shops Just for Men

Eric Wilson, September 5, 2012, New York Times

Use with Chapter 5, “Retail Market Strategy” and Chapter 17, “Store Layout, Design, and Visual Merchandising”

Retailers have historically relegated men’s wear to the back of the store and placed more focus on winning over the female consumer. Retailers are finally recognizing that men are an important consumer. Retailers believe that there is a growing trend of male consumers that are beginning to actually embrace fashion. Today’s male consumers are also demanding better service and products and retailers are quickly realizing that in order to compete, they have to provide it. Since the recession, men have represented the fastest growing segment of adult apparel. In 2011, sales in men’s wear increased around 4% to $55 billion.

Bergdorf Goodman and Saks Fifth Avenue have both remodeled their men’s stores. Urban Outfitters offers a separate catalog for men’s wear only. Coach and J. Crew have developed new men’s concept labels. Hermes and Bottega Veneta have opened distinct stores just for men and plan to open more in the coming year. Christian Louboutin expects men’s shoe sales to account for 1/5 of his business in the next two years and has opened the first of three men’s only stores in New York. His shoes typically cost around $2,000 per pair. Even more moderately priced brands like Club Monaco, Ralph Lauren, and Ugg have plans to open men’s stores soon. Nordstrom is opening a temporary men’s shop in SoHo that includes a coffee bar, complementary shaves, and lots of cool gadgets.

Since many retailers have focused so long on women, they are still unsure of how to target men. Retailers are studying male shopping habits with intense scrutiny to develop the right mix and atmosphere to capture this previously elusive shopper.

Discussion Questions:

Which retailers are now making a concerted effort to sell to men?

Numerous retailers are now going to extreme efforts to cater to men. Some of the retailers include: Bergdorf Goodman’s, Saks Fifth Avenue, Coach, J. Crew, Hermes, Bottega Veneta, Christian Louboutin, Club Monaco, Nordstrom, Ralph Lauren, and Ugg.

If you were going to open a men’s shop, what merchandise and design elements would you include?

Ask students what they think the differences should be in a men’s shop versus a women’s shop. Are there any differences in the perspectives of male students versus female students?
Robo-Pricing: The Latest Pricing Game

Dale Furtwengler, September 24, 2012, retailcustomerexperience.com

Use with Chapter 14, “Retail Pricing”

Robo-pricing involves data mining tools and high speed trading tools to create algorithms to help retailers adjust their prices. Amazon is using new data mining software (robo-pricing software) so that its retailers can automatically adjust their prices every 15 minutes or so. Robo-pricing allows sellers to constantly monitor their competitors and potentially always offer prices slightly less expensive than their competition.

According to pricing expert Dale Furtwengler, robo-pricing is a dangerous game that can have negative implications for all shareholders involved.

For sellers, robo-pricing can be costly and cause firms to lose profits in attempts to undermine competition. In addition, robo-pricing can wreak havoc on retailers’ inventory levels if prices are set extremely low.

For consumers, robo-pricing reduces consumers’ perceptions of value. In addition, robo-pricing can also increase dissatisfaction if the price of a product drops just 15 minutes after a consumer purchased it. Robo-pricing might also cause consumers to lose faith in a retailer.

For vendors, the risk lies in constantly having to reduce the price of their products. Many retailers will demand reduction in supplier prices in order to compete in robo-pricing. This might cause the vendors to have to reduce profit margins as well as quality management strategies.

For investors, robo-pricing reduces potential returns. Investors might worry that firms that consistently lower their prices will be unable to generate a meaningful return.

Discussion Questions:

What is robo-pricing?

Robo-pricing involves data mining and high speed trading tools that are used to create algorithms to help retailers decide the best prices for their products. Retailers can use robo-pricing to monitor competitors and adjust their prices up to every 15 minutes.

What are the advantages and disadvantages of robo-pricing?

The major disadvantages of robo-pricing are: it can reduce sellers’ profits and create inventory shortages, it can decrease consumers’ perceptions of value, it can reduce quality management initiatives for vendors, and it can reduce investors’ return on their investments. An advantage of robo-pricing is that it allows retailers to monitor their competition and offers consumers the best prices.
Deal Junkies Hurt Stores’ Profits


Use with Chapter 14, “Retail Pricing”

During the recession, retailers tried to lure customers to their stores with dramatic discounts and incentives. For many retailers, this strategy helped them stay afloat during a difficult economic time. However, this also bred a group of consumers who are now addicted to deals and won’t shop unless they have a coupon or a product is on sale.

Retailers like J.C. Penney and Lowe’s are trying to slowly deter customers from using coupons by offering everyday low pricing. This strategy involves convincing customers that the store’s everyday prices are lower than the discounts received from a coupon. J.C. Penney is trying to eliminate coupons and reduce the number of annual sales from 600 to a more manageable number. Penney’s is trying to simplify its pricing strategy and duplicate the success that Walmart had when it introduced everyday low pricing. J.C. Penney’s is realizing, though, that changing customer perceptions is difficult as they have watched their stock plummet by 40% in the last 8 months. Lowe’s built its business around EDLP but started offering more sales in 2006 when the housing market began to sour. In the past year, Lowe’s has been dramatically cutting prices to compete with Home Depot. Lowe’s is struggling to find the right balance between everyday low pricing and temporary promotional discounts.

EDLP will take some time for customers to adopt. For example, America’s Research Group found that almost 75% of consumers surveyed said it would take discounts of more than half off to persuade them to purchase a product. Some retail experts say that retailers have to take responsibility for this shifting customer paradigm. In order to break the vicious coupon cycle, retailers have to also provide top-notch service or access to exclusive merchandise.

Discussion Questions:

Why are some retailers turning to an everyday low pricing strategy?

Retailers weathered the recession by offering customers dramatic discounts, promotions and coupons. These offers are eroding retailers’ profits and have also bred a group of consumers who are dependent on promotions to make a purchase. In order to reduce dependency on promotions, retailers are offering everyday low pricing to have a consistent pricing message that is less sales driven.

Why is it difficult for an EDLP to be successful?

EDLP was very successful for companies like Walmart in the 1980’s. However, the recent recession encouraged customers to use sales and promotions more often. Now customers are almost addicted and do not want to purchase an item unless it is on sale or they have a coupon. Many customers don’t feel that they are getting a good price with EDLP.
Can the Retailing Industry Take a Lesson on Social Media from DSW Shoes?

Al McClain, August 28, 2012, Retail Wire

Use with Chapter 15, “Retail Communications Mix”

DSW has 338 stores in the United States. DSW has more than 400 brands, 2000 styles, and sold more than 31 million pairs of shoes in 2011. The DSW Rewards program has grown six-fold in the past 10 years and now has more than 21 million members. Net sales at DSW doubled from 2004 to 2011.

One of the contributing factors to DSW’s success is its creative social media strategy. Some unique initiatives include:

- Offering free shoes on Fridays to its Twitter followers. Every Friday DSW asks a trivia questions and the first ten respondents to answer correctly receive a pair of shoes. DSW currently has 36,000 Twitter followers.
- DSW constantly communicates with customers via Facebook. DSW has almost 700,000 likes on Facebook. Customers are asked to post pictures of their feet in DSW shoes to the Facebook page.
- DSW has a YouTube channel where they post extended versions of commercials and special events. Customers can also post videos showing the great deals they got at DSW.
- DSW has an active mobile site that is fully functioning.

Discussion Questions:

How does DSW use social media?

DSW uses Twitter, Facebook, and YouTube to connect with customers with unique promotional offers. DSW also uses social media to encourage customers to engage with the brand.

Is community building via social media more important in a category like shoes than it is for most other categories? Are retailers/brands that cater to young women much more in need of using social media?

Ask students if they think social media is more relevant for a product category like shoes versus consumer packaged goods. Do students agree or disagree that young women respond better to social media campaigns than other target markets?

Back
Today’s consumer uses his/her smartphone for everything including socializing, banking, and shopping. More than 90% of U.S. citizens keep their mobile devices within reach all hours of the day and night. Retailers now have a new channel, mobile marketing, to reach customers in a more meaningful and interactive way.

Traditional email marketing communications typically included a hotlink that customers could click to receive a special discount or reward. Now, retailers are trying to communicate more via mobile devices to keep up with consumers. One way that retailers can reach consumers is by embedding QR codes that launch interactive mobile content into traditional email messages. This method allows retailers to use traditional email as well as interactive elements to communicate with customers. In addition, this method helps marketers ask for consumers’ mobile numbers in order to continue communicating directly through their mobile device.

Embedding QR codes is a powerful and easy way to capture consumers due to the ease of retrieval, immediacy, and convenience. Embedding QR codes with coupons can drive in-store and online sales; customers are 10 times more likely to redeem mobile coupons versus traditional paper coupons. QR codes have been proven to drive brand engagement as well as bridge the gap between email and mobile technology.

Some companies think that it is pointless to put QR codes into emails because people may not read their emails on their mobile devices. However, most experts agree that a high percentage of people read their email on mobile devices and ignoring that means missing a unique opportunity to connect with customers.

Many small businesses are overwhelmed at the prospect of implementing QR codes. But QR codes are relatively inexpensive and with QR code technology, it is easy for companies to develop a comprehensive and integrated mobile marketing program.

**Discussion Question:**

How can retailers use QR codes to communicate with customers and sell more merchandise?

*Retailers can embed QR codes into traditional emails to bridge the gap between traditional email marketing and mobile marketing. QR codes can create an interactive, mobile experience that engages the customer more with the product and the retailer. Most customers read their emails on their mobile devices making it easier for them to pull up QR codes.*
Retailers Introduce Indoor Navigation in Apps

Roger Yu, August 29, 2012, USA Today


Big box retailers are now developing mobile tools to help customers navigate their way around the stores. Retailers were initially reluctant to expose detailed merchandising data. However, mobile applications have become an increasingly important sales channel with coupons, prices, store hours, and bar code scanners. Item locators are the next wave of mobile applications. According to some estimates, 20% of retail sales are lost because shoppers can’t find items.

Retailers are hoping that navigation apps help customers shop more efficiently. Walgreens’ app allows customers to make shopping lists and find items on their list on the store’s map. Walmart’s navigation app shows the aisle number of most of its products and includes a map for Black Friday deals. Home Depot’s app has store maps and aisle numbers of searched items.

Discussion Questions:

How are retailers using indoor navigation apps?

Retailers are using navigation apps to help customers find products in their stores. These apps often include store maps and aisle numbers.

Would you use this type of app? Why or why not?

Ask students whether or not they view this type of app as helpful. Is it easier to use an app or find a sales associate?

Back
Kroger Loses Some Wait

Tom Ryan, September 11, 2012, Retail Wire

Use with Chapter 17, “Store Layout, Design, and Visual Merchandising”

Kroger’s places a strong emphasis on creating value and loyalty for its customers. One of the ways Kroger’s does this is by reducing wait times and checkout stands to less than a minute. Historically, checkout wait times could average over four minutes. This reduction in checkout time has become a focal point for Kroger’s promotional campaigns. Waiting in long lines at retailers can create stress and boredom for customers.

Kroger is using a system called QueVision that uses sensors over checkout lanes and entrances and exits. These sensors tell workers how many checkout lanes should be open immediately and how many should open in the following 15 or 30 minutes.

Other retailers are trying to curb wait times at checkout as well. Apple pioneered the use of hand-held tablets that allow associates to be more mobile and ring up sales anywhere in the store. Home Depot also uses mobile checkouts as well as increased the number of self-checkout lines. Disney started pre-scanning shoppers in line. Disney employees also entertain customers while they are in line. Customers also appreciate when there is an employee or screen near the front of a line that directs shoppers to an open register. Whole Foods, Trader Joe’s, Uniqlo, and Nordstrom Rack all do this.

Discussion Questions:

How do retailers reduce customers’ wait times?

Retailers like Kroger employ technology that tells employees the best number of checkout lines to have open given the number of customers in the store. Other stores like Apple and Home Depot use mobile technology to check out customers anywhere within the store.

Back