ANSWERS TO COMPREHENSIVE CASE QUESTIONS

PART ONE COMPREHENSIVE CASE

Ideas Worth Stealing

Questions

1. What can *any* retailer learn from this case?

    Ideas that retailers can learn from this case include the following:
    *   Include product-related advertisements with experience dimensions.
    *   Fund exciting competitions.
    *   Effectively use social media.
    *   Show appreciation to employees.
    *   Allow employees to interact with top-ranked personnel.
    *   Develop innovative pricing models through membership plans.
    *   Apply innovativeness to design of ordinary products.
    *   Use consumer sampling to get shelf space.
    *   Build a great customer experience.
    *   Tailor circulars to individual shoppers.

2. Relate the material in this case to the concept of the total retail experience.

    The total retail experience includes all the elements in a retail offering that encourage or inhibit consumers during their contact with a retailer.

    This case describes different ways a retailer can enhance a customer's experience through use of social media, special events, innovative membership programs, innovative store displays, informed salespeople, customized offers, and so on.

3. What uncontrollable factors will affect a retailer's ability to undertake the suggestions cited in the case? How would you handle them?

    Examples of uncontrollable factors that can impede adoption of these suggestions include the following:
    *   Management resistance to change
    *   Budget funding
    *   Competitor responses
    *   The ability of existing personnel to implement plans
    *   The quality of a company's databases and its marketing information system

- Supplier cooperation

4. Comment on this observation: "In business, you sell yourself first, your company second, and the product third."

   Selling yourself first means a salesperson establishing trust with a customer, then selling the company (customer service) and lastly, the product. Because many products are intensively distributed, the person and company dimensions are ways to differentiate the product.

5. Target has a Web site (**https://corporate.target.com/about/shopping-experience/**) about the shopping experience it provides. Relate what you find at this site to Target's overall retail strategy, based on the steps discussed in Chapter 3.

   These are the underpinnings of Target's shopping experience strategy:
   - An exciting/enjoyable shopping experience
   - Friendly service
   - Fully stocked shelves
   - Speedy checkouts
   - Price matching
   - Easy-to-locate merchandise
   - A one-stop shopping experience
   - Quality not sacrificed at low price levels
   -

6. What kind of loyalty program(s) should Nordstrom offer? Present details in your answer.

   As an upscale, fashion-oriented, full-service department store, Nordstrom's loyalty program should be focused on customer service.

   Nordstrom's loyal customers should be offered free alterations for life, special access to designer trunk shows, extended return and exchange privileges, personal shoppers (both in-store and in-office), and so on.

7. What recommendations would you suggest for any retailer as it looks to the future?

   As retailers look to the future, they need to develop comprehensive plans and monitor their performance on a regular basis.

   Retail planning needs to reflect the increased importance of the Web, omnichannels, global markets, the increased growth in minorities, Millennials, and senior markets.

   Retail plans need to reflect the expanded view of competition. As an example, traditional grocery stores now face competition from supercenters, home delivery operations, office supply stores, Web-based merchants, convenience stores, etc.

PART TWO COMPREHENSIVE CASE

What Consumers Find Expendable Versus Untouchable

Questions

1. Differentiate between expendable and untouchable shopping. Why is this distinction important to retailers?

   Expendable shopping involves purchases that can easily be postponed. In contrast, untouchable purchases are immune from a poor economy, job loss, or high inflation.

   Planning for expendable shopping is much more difficult because it is subject to such variables as the economy, increases in the cost of raw materials, etc.

2. As an independent jewelry retailer, what could you learn from Table 1? How should you adapt to this?

   As a rule, there is not that much difference in responses by age. The largest percentage of consumers (between 37 percent and 42 percent based on age) indicated that their response to a poor U.S. economy would be spending less overall. The second largest percentage of consumers (between 29 percent and 33 percent) would shop for sales more frequently.

   An independent jeweler can use this data by offering more frequent sales, more extensively using coupons, and through direct price comparisons with leading Web-based retailers.

3. Do you think that the revenues of retail cooperatives will go up during weak economic times and decline during strong economic times? Explain your answer.

   The real issue is whether retail cooperatives offer lower prices as opposed to distinctive products.

4. Relate the discussion in this case to the wheel of retailing and scrambled merchandising highlighted in Chapter 5.

   The wheel of retailing argues that retailer innovators first appear as low-price operators with low costs and low profit margin requirements. Over time, these innovators upgrade their product quality, customer services, and facilities. As a result, they must raise their prices, and these innovators become vulnerable to new discounters. One way consumers can reduce the impact of poor economic conditions is to change from department store to discount store shopping.

Scrambled merchandising occurs when a retailer adds goods and services that are unrelated to each other and to the retailer's original business. By virtue of scrambled merchandising, a store's competitors expand. Superstores now sell perishable fruits and vegetables in competition with traditional supermarkets. In some cases the superstores sell these goods at

ANSWERS TO SHORT CASE QUESTIONS

PART ONE SHORT CASES

Case 1: Retailers MUST Be Future-Oriented

Questions

1. What do you think are the best uses of VR for retailers today? What are the limitations?

    Retailers can use virtual reality to do the following:
    - Visualize alternative store layouts.
    - Simulate shopping down aisles.
    - Test package designs.
    - Evaluate different planograms.
    - Reinvent the experience in a store environment, and to allow customers to "shop" in a virtual store and measure their buying behavior.

    Limitations of virtual reality include the following:
    - The cost of software and hardware
    - Training costs for retail personnel

2. Is the typical retailer ready for VR? Why or why not?

    Despite its advantages, the typical retailer needs to develop the expertise and outlay the necessary investment. Smaller retailers can outsource this activity.

3. How can VR enhance a firm's ability to generate a great total retail experience and relationship retailing?

    The total retail experience includes all of the elements that encourage or inhibit consumers during their contact with the retailer. VR can show alternate store designs, layouts, package designs and their impact on shopping satisfaction, time spent in a store, and the degree of "fun" associated with shopping.

    Relationship retailing involves a retailer establishing and maintaining long-term bonds with customers. It takes a long-term view based on the retail experience, customer satisfaction, and customer involvement. VR can improve the long-term satisfaction associated with shopping by providing a more convenient store layout and a better shopping experience.

4. Even if a retailer is not ready for VR, what can it learn from this case?

    Retailers can learn the importance of a stimulating retail environment, the importance of "fun," and the need to measure customer satisfaction associated with different store designs, labels, and layouts.

Case 2: Stores That Accommodate Those with Physical Limitations

Questions

1. Relate the material in this case to the value chain and the value delivery system.

    The value chain represents the total bundle of benefits offered to consumers through a channel of distribution. It encompasses shopping location, retailer ambiance, the level of customer service, the products/brands carried, product quality, the retailer's in-stock position, shipping, prices, the retailer's image, and other elements.

    Elements of the value chain discussed in this case include the importance of good lighting, ease in finding hard-to-locate items, proper height of items on shelves, layout and traffic flow, safe flooring, and ease of price checking.

    The value delivery system comprises all the parties that develop, produce, deliver, sell, and service particular goods and services. These parties include store design personnel and consultants, lighting contractors, Americans with Disabilities Act (ADA) consultants, suppliers of grocery products, and shelving firms.

2. Are services related to physical accommodations typically considered as expected customer services or augmented customer services? Why does this distinction matter?

    Expected customer service is the service level that customers want to receive from any retailer. In contrast, augmented customer service includes activities that enhance the shopping experience and provide retailers with a competitive advantage.

    Basic accommodations that meet the ADA requirements, such as wide aisles and handicap accessible bathrooms, are expected customer services. Additional services such as proper shelf height, and ease of store navigation for handicapped individuals can be viewed as augmented customer services.

3. What are the ethical implications of the issues raised in this case?

    Ethical issues raised in the case include the right of handicapped or senior citizens to navigate a store easily, to have a clean accessible bathroom, to easily secure goods on a shelf, to use a store's scooter, etc.

4. Develop a five-point physical accommodation plan for an apparel store chain.

    The store's physical accommodation plan should include wide aisles, ample handicapped parking (with wide width parking areas), easy to read graphics, proper lighting, slip-resistant flooring, and adequate ramps (with proper slope).

Case 3: Is the Proliferation of Job Titles Helping or Hurting?

Questions

1. Why do you think that there has been a proliferation of job titles? Is this good or bad? Why?

   In some respects, the new titles reflect important areas that would otherwise be neglected. Omnichannel marketing, as an example, requires a different skill set; information security is a hot area for many stores due to increased hacking activity; and chief analytics officers are needed to develop strategies through big data analytics.

2. State how the issues raised in this case relate to a retailer conducting a situation analysis.

   Situation analysis is a candid evaluation of the opportunities and threats facing a prospective or existing retailer. It answers two general questions: What is the firm's current status? In which direction should it be heading?

   Naming a head of various functional areas clarifies responsibilities within the firm. It ensures that critical areas that account for a retailer's success or failure are adequately addressed.

3. Should retailers have a chief of digital operations position? Explain your answer.

   The chief of digital operations position assures that adequate attention is paid to the Web. One could argue that the head of omnichannel marketing would be a better title because it ensures a seamless transition among channels and devices (tablets, laptops, smartphones).

4. Do you agree or disagree with the following statement? "Elevating 'customer experience' or 'security' responsibility to a 'chief' sends a message about where the retailer is making its bets and what it values." Why?

   The elevating "customer experience" or security positions to chief status signals the increased importance of these functions throughout the retail organization. The new titles enable a retailer to hire high-skilled professionals and may be associated with increased staffing and budget levels.

Case 4: Competition and Quick Foodservice

Questions

1. How should the organizational missions of convenience stores and QSRs differ? Why?

   The organization mission of convenience stores needs to focus on a limited selection of goods and services, some prepared foods and some prepackaged foods, and on off-premises consumption of coffee, sandwiches, and snacks.

   In comparison, quick-service restaurants focus on both on-premises and off-premises consumption of prepared foods. Convenience stores typically sell cigarettes, milk, yogurt, prepared snacks (like pretzels and potato chips), and gasoline. These are not sold in QSRs. QSRs, in contrast, may sell

hamburgers, fried chicken products, french fries, pizza, and dispensed beverages such as soda and coffee.

2. What are the competitive advantages of convenience stores versus QSRs? Explain your answer.

   The competitive advantages of convenience stores versus QSRs include:
   - Convenience stores'offering a broader selection of prepared foods
   - Many convenience stores offer healthier prepared foods options
   - Convenience stores offer multiple varieties and brands of beverages
   - Some convenience stores make sandwiches to order
   - Some convenience stores are open 24/7
   - Convenience stores are more prone to be one-stop shopping source (sandwich, coffee, and laundry detergent for home use).

3. Comment on the information in Figures 1 and 2. What are the strategic implications?

   Few shoppers exclusively go to a convenience store only for fast-food purchases away from home. Most use three channels: QSR, convenience stores,or grocery stores. The greatest channel overlap for fast-food purchases away from home with convenience stores is QSR.

   The greatest market share of food category purchases in convenience stores are in coffee, dessert/snack foods, soft drinks, breakfast foods, and Mexican foods. Weak market shares are in salads, side dishes, sandwiches/burger/wraps, and Italian/pizza. Convenience stores need to decide to invest in either areas of strength (such as better coffee quality) or areas of weakness. One interesting strategy is to use promotional pricing to pair coffee with breakfast foods (such as a roll, eggs and coffee for $2.99).

4. What could Dunkin' Donuts, McDonald's, and Wawa learn from the information in Figure 3?What are the strategic implications?

   The respective market shares among McDonald's, Dunkin' Donuts, and Wawa differ by type of food. McDonald's is particularly strong in breakfast-oriented foods, Dunkin' Donuts in sandwich/ burger/wrap, and Wawa in coffee.

Each chain needs to look at their areas of strength and weaknesses and build on them. They can generate increased sales and profits by combining strong and weak areas. For example, Wawa could concentrate on combining coffee (a strong area) with sandwiches/burgers/wraps (a weak area). Weak areas need to be looked at. Wawa clearly needs to rethink its sandwiches/burgers/wraps. It needs to build an area or to drop it and focus on other areas. Dunkin' Donuts also needs to be more attention to its coffee business. Special price offers and pairing coffee with sandwiches (a strong area) is another

CHAPTER 2: ANSWERS TO QUESTIONS FOR DISCUSSION

1. Value is embodied by a series of activities and processes—a value chain. This provides a certain value to the consumer. What does the value chain comprise, and what features are readily recognizable as far as consumers are concerned?

    A retail value chain comprises shopping location, ambience, customer service, the products/brands carried, product quality, the in-stock position, shipping, prices, the retailer's image, and so forth. For consumers, it is the value offered by sellers, based on the perceived benefits received versus the prices paid.

2. There are five potential pitfalls to avoid in planning a value-oriented retail strategy. Discuss these three:
    a. Planning value with just a price perspective.
    b. Providing value-enhancing services that customers do not want or will not pay extra for.
    c. Competing in the wrong value/price segment.

    a. <u>Planning value with just a price perspective.</u>
        Value is tied to two factors: benefits and prices; it is the perception that the customer has of the value chain, based on all the benefits from a purchase comapred to the price paid. For example, all major discounters now accept credit cards because shoppers want to purchase with them.

    b. <u>Providing value-enhancing services that customers do not want or will not pay extra for.</u>
        Customers want to save money, such as by assembling furniture.

    c. <u>Competing in the wrong value/price segment.</u>
        Smaller retailers are better off focusing on customer service, convenience, professional expertise, and other augmented benefits and charging a little more than large retailers, rather than attempting to compete with them on price.

3. How do new and mature retailing businesses differ in terms of their treatment of core customers?

    A new retailer faces the dual tasks of attracting shoppers and building a loyal following; it cannot do the latter without the former. A mature retailer is more likely to rely on core customers and supplement its revenue with new shoppers. Both types of retailers will aim

to enlarge their customer base by adding stores and increasing advertising, but they need to do this without alienating their core customers.

4.   How would you differentiate between expected and augmented customer service provisions? Why does customer service rely on the abilities of employees?

Expected customer service is the service level that customers want to receive from any retailer, such as basic employee courtesy. On the other hand, augmented customer service includes the activities that enhance the shopping experience and give retailers a competitive advantage. It is the ability, discretion, and empowerment of employees that ultimately determine the quality of the customer service provided by the retailer.

5.   How would you measure the level of customer satisfaction with your favorite restaurant?

Objective criteria include adherence to reservations, fast service, providing information about product ingredients for patrons on special diets (low salt, low cholesterol, low calories, and so on).

Subjective criteria are based on consumer perceptions of a store's cleanliness, adequacy of selection, friendliness/knowledge of wait staff, and so on.

6.   As a retailer, how would you reward social media referrals by customers?

For a retailer, one way to reward social media referrals by customers could be to provide exclusive offers to the customers in exchange for encouraging others through social media to buy from them. This approach encourages more participants to create word-of-mouth connections. The promise of additional offers and deals will encourage customers to refer even more often. The number of referrals should be tracked and the highest connecting customers should be awarded the best offers.

7.   What are the unique aspects of service retailing? Give an example of each.

The unique features of service retailing are the intangible nature of many services, such as the quality of a landscaper's design; the inseparability of some service providers and their services, such as individual tutoring services; the perishability of many services, such as the sale of tickets to a live performance; and the variability in quality of many services due to the high labor content.

8.   What are the pros and cons of ATMs? As a retailer, would you want an ATM in your store? Why or why not?

ATMs are a fast, convenient, and efficient way to perform financial transactions. Unlike traditional banks that have limited hours, ATMs enable 24/7 service. Some critics may argue that ATMs pose a safety risk and may perform a transaction incorrectly (such as

occasionally swallowing a credit card). Another problem for some customers is the absence of personal contact.

Having an ATM located in a retail store may increase sales by increasing transaction size (customers can easily get more money to pay their bills) and increasing store traffic (a customer may enter the store to use the ATM and then make an impulse purchase in the store). Possible detriments involve potential safety risks, as well as concern that store personnel will be involved with ATM customer complaints.

9.   Will the time come when most consumer purchases are made with self-scanners? Explain your answer.

Students who argue "yes" could base their response on consumer convenience, cost savings to retailers, time savings to customers, and customer honesty. By using self-scanners, customer transactions are quicker, and retailer costs are lower.

Those students who argue "no" to this question could base their response on the difficulty in getting all consumers to use the self-scanners properly or consumers having difficulty using loyalty cards or manufacturer coupons with the scanners.

10.   Describe three unethical, but legal, acts on the part of retailers that you have encountered. How have you reacted in each case?

Unethical, but legal, acts by retailers include the following:

- Marketing unsafe products (like cigarettes) to specific segments of the population.
- Restaurants and supermarkets throwing away excess food rather than giving it to the poor or homeless
- Advertising items with low stock levels
- Raising prices of needed supplies in short supply (such as flashlights and bottled water) during hurricanes or severe storms
- Promoting the sale of goods with "promotional" items (with poor features, low quality, and short and limited warranties) to generate store traffic
- Defaming competitors
- Selling or trading a listing of customers to other retailers
- Giving consumers who return gifts without a receipt the markdown value of the gift (when the store personnel know the gift was purchased at full price)

11.   Differentiate between social responsibility and consumerism from the perspective of a retailer.

A retailer exhibiting social responsibility acts in the best interests of society as well as in its own. Examples include recycling and conservation programs, sponsoring community activities such as a softball team, and hiring handicapped personnel.

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Chapter 2   Building and Sustaining Relationships in Retailing

Consumerism, from the perspective of the retailer, entails implementing programs to protect a consumer's right to safety, to be informed, to be heard, and to make choices. These policies may include product-testing programs, policies for handling customer complaints, reviewing the clarity of advertising messages, training retail personnel to be honest in suggesting products, and sponsoring consumer education programs.

12.   How would you deal with consumer concerns about privacy in their relationships with retailers?

Retailers should be extremely considerate when providing information about consumers to other organizations or individuals. The advantage of providing marketing information about a consumer base may not outweigh the risk of violating customer privacy, especially when it involves private or sensitive information. Students may elect to "put themselves in the shoes of their customers" when asked to make decisions about what information about their customers could be revealed or sold.

One way of handling the issue of privacy is to ask customers for permission to give their name and general purchase history information to a select group of retailers who would provide appropriate goods and services.