**Uses of Ancillary Cases**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | | | | | | *Chapter* | | | | | | | | | | | | | | |  |
| # | Title | 1 | 2 | 3 | 4 | 5 | 6 | | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |  |
| 1 | [Wedding Channel.com](http://www.weddingchannel.com) |  | S | P | S |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2 | Dollar General and Family Dollar: Value Retailers | S | S |  |  | P |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3 | Abercrombie & Fitch: Hiring for Looks |  |  |  |  |  |  | |  |  | P |  |  |  |  |  |  |  |  |  |  |
| 4 | Salon-Only Hair Care Products Outside the Salon |  |  |  |  |  |  | |  |  |  |  |  |  | P |  |  |  |  |  |  |
| 5 | SaksFirst Builds Customer Relationships |  |  |  |  |  |  | |  |  |  |  | P |  |  |  |  |  |  | S |  |
| 6 | Men's Wearhouse |  |  |  |  | S |  | |  |  |  |  |  | P | S |  |  |  |  | S |  |
| 7 | Borders |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  | P |  |  |  |
| 8 | GAP and Old Navy | P | P |  | S | S |  | |  |  |  |  |  |  |  |  |  |  | S | S | C |
| 9 | Blue Sky Surf Shop | P | S |  | S |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 10 | Cleveland Clinic | P | P | P |  | S |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 11 | Niketown | P | P |  | S | S |  | |  |  |  |  |  |  |  |  |  |  | S |  |  |
| 12 | Simon and Smith |  | P |  | P | P |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 13 | Marquette Army/Navy Surplus | P | S |  |  | S |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 14 | Bloomingdale's |  |  |  | P |  |  | |  |  |  |  |  |  |  |  |  |  |  | S | C |
| 15 | Toys R Us |  |  | S | S | P |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 16 | Retailing in China |  |  |  | S | P |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 17 | To Move or Not to Move |  |  |  |  |  |  | | P |  |  |  |  |  |  |  |  |  |  |  |  |
| 18 | Winn-Dixie and Dillard |  |  |  |  |  | P | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 19 | The Computer Shoppe |  |  |  |  |  |  | |  |  |  | P | S |  |  |  | S |  |  |  |  |
| 20 | Neiman Marcus Preferred Customer Program |  |  |  |  |  |  | |  |  |  |  | P |  |  |  |  |  |  |  |  |
| 21 | Merchandise Planning Problems |  |  |  |  |  |  | |  |  |  |  |  | P |  |  |  |  |  |  |  |
| 22 | Urban Outfitters |  |  |  |  |  |  | |  |  |  |  |  | P |  | S |  |  |  |  |  |

**Uses of Ancillary Cases (cont’d)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  | | | *Chapter* | | | | | | | | | | | | | | | | | |  | |
| # | | Title | 1 | | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | |  | |
| 23 | | Stan's Shirts |  | |  |  |  |  |  |  |  |  |  |  |  |  | P |  |  |  |  | |  | |
| 24 | | Pricing Problems |  | |  |  |  |  |  |  |  |  |  |  |  |  | P |  |  |  |  | |  | |
| 25 | | Dexter Brown |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  | P |  |  | |  | |
| 26 | | Tardy Trainee |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  | P |  |  | |  | |
| 27 | | River Valley Gourmet Shop |  | |  |  |  |  |  |  |  |  |  |  | P |  |  | P |  |  |  | |  | |
| 28 | | Late Delivery |  | |  |  |  |  |  |  |  |  |  |  | P |  |  |  |  |  |  | |  | |
| 29 | | Whom to Pay |  | |  |  |  |  |  |  |  |  |  |  | P |  |  |  |  |  |  | |  | |
| 30 | | Negotiating with a Vendor |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  | |
| 31 | | Stockwork |  | |  |  |  |  |  |  |  |  |  |  |  | P |  |  |  |  |  | |  | |
| 32 | | Check this System Out |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  | |
| 33 | | Closing a Sale |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  | P |  |  | |  | |
| 34 | | Fuller's |  | |  |  |  |  |  |  |  | S |  |  |  |  |  |  | P |  |  | |  | |
| 35 | | Rainforest Café | P | | S |  |  |  |  | S |  |  |  |  |  |  |  |  |  | S |  | |  | |
| 36 | | Should Retailers Use Blogs? |  | |  | P | S |  |  |  |  |  |  |  |  |  |  | S |  |  |  | |  | |
| 37 | | Malls Away - Buying Online Vs. In-Store | S | | S | P |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  | |
| 38 | | Home Depot - Company in Transition |  | |  |  |  | S |  |  |  | P |  |  |  |  |  |  |  |  |  | |  | |
| 39 | | Nolan's - Category Management |  | |  |  |  |  |  |  |  |  |  |  | P |  |  |  |  |  | S | |  | |
| 40 | | Macy's Rebranding Strategy |  | |  |  |  | S |  |  |  |  |  |  |  |  |  | P |  |  |  | |  | |
| 41 | | Restaurant promotion | S | | S |  |  |  |  |  |  |  |  |  |  |  |  |  | P |  |  | |  | |
| 42 | | Grocery Store Layout |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | P |  | |  | |

P = Primary Use; S = Secondary Use; C = Comprehensive

**Case A1:** [**Wedding Channel.com**](http://www.weddingchannel.com)

Anne is sitting at her desk eating her lunch and surfing the Internet. For a few months, she has been preparing for her wedding, which will take place in less than a month. She found many helpful articles that gave her some good ideas. These articles also helped her face reality and change her childhood dreams of a white carriage pulled by a team of white horses to a stretch limo. She gave up the Snow White wedding gown with a 15-foot train and has now settled on a sleek sheath gown.

In planning her big day, Anne used the help of [WeddingChannel.com](http://www.weddingchannel.com) to make a checklist of what she needs to do. The Web site helped her organize a guest list, design and buy her invitations, set up a gift registry, and post some information for her friends about how she and Steven met. They met in college and are from different cities; therefore, they decided to have their wedding somewhere in between where their friends and family could meet. She used the resources provided on [WeddingChannel.com](http://www.WeddingChannel.com) to book the chapel and restaurant where the reception would be held.

Every year, $72 billion is spent on weddings in the United States. The average American wedding ceremony costs $22,000. The average age of brides is 24.5, while the average groom is 26.5 years of age. With the statistics, it is no wonder the [WeddingChannel.com](http://WeddingChannel.com) has become so popular. Its target market is 18 to 35 years old. Approximately 48 percent of engaged couples plan to use the Internet to help plan their wedding. [WeddingChannel.com](http://WeddingChannel.com)’s goal is to help couples make their special day easier to plan and save time finding up-to-date information.

[WeddingChannel.com](http://WeddingChannel.com) began on July 15, 1997. The venture has helped not only brides-to-be but also retailers. Over $100 million was spent purchasing gifts through the site in 2003. [WeddingChannel.com](http://WeddingChannel.com)’s patented registry system searches 1.5 million registries from its many retail partners including Macy’s, Tiffany&Co., Crate and Barrel, Neiman Marcus, Williams-Sonoma, Pottery Barn, REI, JCPenney and others.

With access to so many registered couples, [WeddingChannel.com](http://WeddingChannel.com) has an attractive market. “Consistently, our targeted marketing tactics have resulted in five times the Internet response rate, providing the most effective platform for companies to build their brand messages during a significant life stage when brand loyalties are being developed,” said Adam Berger, president and CEO of [WeddingChannel.com](http://WeddingChannel.com). About 89 percent of all gift purchasers buy wedding gifts from a registry.

[WeddingChannel.com](http://WeddingChannel.com) is not only the largest bridal registry online, but is also provides a comprehensive site that couples can use to plan their wedding. [WeddingChannel.com](http://WeddingChannel.com) is a virtual community that provides services for couples who have many questions. Where do brides start first? Most start with finding the perfect dress. [WeddingChannel.com](http://WeddingChannel.com) offers over 20,000 styles of wedding gowns, including both designer brands and less expensive brands. It also provides a great way to sort through the many different styles by offering different buttons to select sleeve length, silhouette, length, and neckline. It even has a virtual model so the bride-to-be can see how she would look in a particular style of gown. The site also provides many interactive tools that help couples make a budget, guest list, wedding page, and registry. There are also many articles that range from finding a reception site to planning a dream honeymoon.

[WeddingChannel.com](http://WeddingChannel.com) is unique because it is a comprehensive destination for couples planning their wedding. This interactive Web page allows for couples to make a customized Internet page describing how they met, how they became engaged, their wedding party, and the theme/colors for the big day. Guests can go online and shop at the well-known stores associated with [WeddingChannel.com](http://WeddingChannel.com) and conveniently purchase exactly what the couple needs for their future together.

***Discussion Questions***

1. What are the keys to making [WeddingChannel.com](http://WeddingChannel.com) a success from the perspective of companies investing in it?

2. Why would a retailer want to invest in a virtual community like [WeddingChannel.com](http://WeddingChannel.com)?

3. Can you think of other retailers that might benefit from developing a virtual community?

*Source: This case was written by Teresa Scott, University of Florida*

Teaching Notes

##### Case A1: [Wedding Channel.com](http://WeddingChannel.com)

Synopsis: [Wedding Channel.com](http://WeddingChannel.com) is a unique and comprehensive channel that not only helps would-be brides and grooms obtain information and help plan their wedding, but also provides critical products through online shops for both the couple and their guests. The case describes the core business model of the site as well as enumerates the various sources of value to consumers as well as partnering retailers.

# Use: Chapter 2 Illustrates how traditional retailers benefit from partnering in an online venture.

Chapter 3 Identifies the business model, strategies, and sources of consumer value for a specialty Internet retailer.

Chapter 4 Describes the consumer behavior issues in planning a wedding and how consumers could obtain information and planning tools from the Internet.

# Discussion Questions

**1. What are the keys to making** [**WeddingChannel.com**](http://WeddingChannel.com) **a success from the perspective of the companies investing in it?**

[WeddingChannel.com](http://WeddingChannel.com) provides an excellent opportunity for firms, such as Federated department Stores, Inc., Neiman Marcus Group, Tiffany & Company, Crate & Barrel, and Williams-Sonoma to gain additional sales and revenue associated with wedding registries and gifts. The site provides planning information as well as interactive tools, such as guest lists, wedding page, and registry. Moreover, the site also answers many critical questions for would-be brides and grooms, including budget issues and the types of products to buy. This type of information is typically provided in-store by trained sales personnel interacting one-on-one with those being wed and their numerous guests. The WeddingChannel is more cost efficient than other alternatives for attracting customers who need these comprehensive planning and information tools as well as helps the firm build a platform for enhancing their brand awareness and Internet presence. With almost a million registered customers and an average wedding ceremony costing $20,000, the WeddingChannel is an excellent brand promotion and sales opportunity for the firms providing it with capital. Even for non-retail venture capital firms, the business model of the site, referrals and clicks generated make it a good portal business.

**2. Why would a retailer want to invest in a virtual community like** [**WeddingChannel.com**](http://WeddingChannel.com)**?**

A virtual community like [WeddingChannel.com](http://WeddingChannel.com) only grows through word-of-mouth as well as word-of-mouse. Not only do would-be brides and guests referring the site to their own wedding page to guests and friends, these guests and friends, having been exposed to the site, may also end up planning their own weddings through the site. The more the number of participants and their diverse questions, the more comprehensive the site gets, thereby becoming more valuable to the visitors to the site. The consumer value and benefits would certainly prompt more referrals and the site's visitor base is bound to grow. Even with one million couples registered, the site already provides a very attractive platform for retailers to build their brands, promote their products and services and enable consumers to shop at their stores. Increases in information, participation, and positive word-of-mouth through the expansion of the virtual community would only benefit retailers even more over time.

**3. Can you think of other retailers that might benefit from developing a virtual community?**

A virtual community could be formed for any occasion where shoppers may need specific and expert information and tools not readily or conveniently available through physical stores. Virtual communities could be formed for various lifestyles, including aerobics and physical training, body-building, bicycling, motorsports, surfing, skiing, mountain-climbing, hiking, to name a few.

Virtual communities could also be formed for specific projects/events, including planning parties, holiday get-togethers, reunions, or for lifestyle target markets, such as do-it-yourselfs, working mothers, soccer moms, retirees, to name a few.

In all these cases, retailers obtain a clear and well-defined target segment – one that prefers to be informed and educated. The costs of marketing to such informed and educated customers are; of course, lower than training sales people and delivering such information one-to-one to customers in a retail store setting.

**Case A2: Value Retailers: Dollar General and Family Dollar Cater to an Underserved Market Segment**

Dollar General, headquartered in Goodlettsville, Tennessee, and Family Dollar, based in Mathews, North Carolina, are the two leading retailers in the fastest growing segment of the industry, referred to as extreme value retailing. In 2005, Dollar General had over 7,500 stores in 30 states with sales surpassing $7 billion. Its annual growth in sales has been above 20 percent for the last six years. Family Dollar, with 5, 600 stores in 44 states, generated over $5 billion in sales in 2004. Both retailers are opening new stores at rates exceeding a store a day.

The extreme value retail format has become increasingly popular among a variety of customers, including rural and urban shoppers, low- to middle-income young families, ethnic groups, and older customers with fixed incomes. Consumers have come to trust both of these retailers to provide good quality merchandise at low prices without the hassle of crowds and lines. The breakdown by geographic segments is 25 percent rural, 33 percent urban, and 44 percent suburban. This distribution is about the same as the sales distribution for Wal-Mart and Kmart stores. About 25 percent of U.S. households shop at an extreme value retailer once a month.

Sometimes these firms are grouped under the category of dollar retailers – retailers that sell merchandise priced under one dollar. While Dollar General and Family Dollar keep their prices typically under $15, most of their merchandise is priced over a dollar. Family Dollar has multiple price points whereas Dollar General prices its merchandise at even-dollar price points.

About 50 percent of the merchandise sold in the stores is consumables (pet supplies, food, paper, household cleaning and personal care products), with the remaining sales equally divided among basic clothing, hardware and seasonal merchandise, and home products. The percentage of consumable sales has been increasing over the past five years. Basic stock is supplemented with opportunistic buys of closeout/liquidation and impulse merchandise giving the impression of a changing merchandise mix in the stores. Vendors are developing new products and packaging to meet the needs of these extreme value retailers. For example, Fruit of the Loom typically sells men’s underwear in a nine-pack, but it offer small packs to value retailers. Procter & Gamble and Johnson Products also sell smaller sizes of hair care products with lower retail prices to extreme value chains.

Most of their locations are in the Southeast, where the companies are headquartered. The stores are small, 6,000 to 8,000 square feet, primarily located in small towns with populations under 40,000 and in suburban strip shopping centers. Because the stores are relatively small, it is easy to find good locations in almost any market the retailers choose to enter.

Initially, these extreme value retailers focused on low-income communities that were too small to support a large Wal-Mart or Kmart discount store. Residents of these towns appreciate the convenience of buying merchandise close to their homes rather than driving 30 minutes to a discount store in a larger town. Many of their customers can walk to the stores. Not only are the stores closer to customers, but shoppers are able to park closer to the stores in uncrowded parking lots and avoid long checkout lines. With a small store, customers can get in easily, find what they are looking for, and get out in a few minutes. The average transaction is between $8 and $9. To maximize operating efficiencies, the retailers typically open a cluster of stores in a geographic area before entering a new area. Dollar General and Family Dollar are now opening stores in suburban strip shopping centers, using space that has been abandoned by drugstores that moved to stand-alone locations.

At one time, these extreme value retailers advertised sales using circulars. But both Dollar General and Family Dollar reduced their advertising expenses when they converted to an everyday low-pricing strategy. This cost saving allowed the retailer to pass even more savings on to their customers.

A recent Family Dollar annual report stated, “Supply chain efficiencies are vital to the success of any retailer, particularly one growing as fast as Family Dollar.” Thus, Family Dollar and Dollar General are making significant investments in point-of-sale terminals, store-level inventory tracking systems, automated distribution centers, space allocation software, and replenishment systems to reduce stockouts and increase inventory turnover.

***Discussion Questions***

1. What is the target market for extreme value retailers like Dollar General and Family Dollar?

2. Why are customers increasingly patronizing these extreme value retail stores?

3. How do extreme value retailers make a profit when their prices and average transactions are so low?

4. Can extreme value retailers defend themselves against merchandise discount retailers like Wal-Mart, or will Wal-Mart eventually drive them out of business? Why?

*Source: This case was written by Valerie Bryan, University of Florida*

Teaching Notes

##### Case A2: Value Retailers: Dollar General and Family Dollar Cater to an Underserved Market Segment

Synopsis: Dollar General and Family Dollar are exemplars of the retail category known as extreme value retailers. The case describes the target market, location, merchandising, buying and operations strategies of extreme value retailers and also identifies some trends.

Use: Chapter 1 Provides an introduction to extreme value retailers and their role in the retail

landscape.

Chapter 2 Describes the strategy and operations of extreme value retailers.

Chapter 5 Illustrates the retail market strategy, including target market, customer benefits, and competitive considerations in extreme value retailing.

## Discussion Questions

**1. What is the target market for extreme value retailers like Dollar General and Family Dollar?**

Initially, the target market for extreme value retailers like Dollar General and Family Dollar were low-income communities too poor and unattractive for large discount stores such as Wal-Mart or K-Mart. Low-income consumers wanted the convenience of buying merchandise in-town, preferably by walking to the store, rather than drive 30 minutes to a discount store. Nowadays, it appears that anyone interested in low prices without having to drive longer distance to a discount store, cope with the hassles of parking and the maze of too many aisles and long checkout lines, could be a target consumer for Dollar General and Family Dollar. This is evident by statistics – geographically, 25% of the consumers live in rural areas, 33% urban and 44% in suburban areas. The consumers include low- to middle-income young families, ethnic groups and older customers with fixed incomes. Moreover, about 25% of the U.S. consumers shop at a value retailer once a month.

**2. Why are customers increasingly patronizing these extreme value retailer stores?**

Consumers have increasingly come to trust extreme value retailers to provide good-quality merchandise at low prices without the hassle of crowds and lines. Most consumable products are available at low prices such as basic clothing, hardware, seasonal merchandise and home products. Consumers have to buy in large quantities to get low price advantages in warehouse clubs. At extreme value retailers, on the other hand, customers can purchase smaller packages and still get similar low prices. Due to strip shopping locations and smaller size stores, consumers can often walk to the store instead of driving long distances. Also, they don’t have the hassle of finding a parking space and walking a longer distance from the parking lot to the store. Moreover, the stores are typically not crowded and the checkout lines are very short. With these price advantages and convenience benefits, extreme value retailers are a hit, especially for customers who are budget-constrained.

**3. How do extreme value retailers make a profit when their prices and average transactions are so low?**

Extreme value retailers incur lower costs of operations, opening at suburban strip malls and other locations typically vacated by other retailers. Parking space and store layout costs are minimal. The need for experienced and trained sales staff is also low. All these significantly reduce the operations costs. Since most of their merchandise comes from opportunistic buying of closeout and liquidation stocks of other retailers, the costs of goods are lower than buying from manufacturers or wholesalers. With extreme value retailers becoming an increasingly strong retail type, manufacturers are attentive to their needs, offering products in smaller package sizes that can be sold at such retailers more efficiently. Moreover, extreme value retailers have adopted an everyday low price strategy, thus obviating the need for costly flyers and adverting circulars.

Some extreme value retailers, such as Family Dollar and Dollar General are now making investments in point-of sale terminals, store-level inventory tracking systems, automated distribution centers, space allocation software, and replenishment systems to reduce stockouts and increase inventory turnover. All these would further make extreme value retailers more efficient in their operations and help reduce costs, and hence prices further, despite the smaller average transaction sizes.

**4. Can extreme value retailers defend themselves against general merchandise discount retailers like Wal-Mart, or will Wal-Mart eventually drive them out of business? Why?**

General merchandise discount retail stores such Wal-Mart need a larger customer base to be profitable. As such, their location strategy is clearly oriented towards larger towns or centered in the middle of several nearby towns. On the other hand, extreme value retailers thrive in smaller locations, often found in strip shopping centers. This niche location strategy helps extreme value retailers capture more of the neighborhood consumers, especially those who cannot or do not want to drive longer distances to a Wal-Mart. While extreme value retailers are well-poised in terms of locations, they are still susceptible to the one-stop shopping convenience and everyday low prices of a Wal-Mart. However, the major competitive advantage for extreme value retailers comes a combination of location, low prices and no-hassle shopping – something that can stand the competitive challenge of Wal-Mart's assortment and prices.

Wal-Mart may drive the extreme value retailers out of business in its own immediate vicinity, but extreme value retailers in suburban strip shopping centers can effectively withstand the competitive onslaught of Wal-Mart and continue to thrive.

**Case A3: Abercrombie & Fitch: Hiring for Looks**

Clothing retailer Abercrombie & Fitch often recruited on college campuses and in the mall to find attractive young people and then urged them to apply for jobs. This company, known for building an attractive workforce, did so by aggressively hiring pretty young women and handsome young men to match their all-American brand image. Abercrombie & Fitch refers to these great-looking sales associates as brand ambassadors. They project the retailer’s brand and make the store a better experience for customers.

Is seeking good-looking employees a necessary trend in the retail industry? Is hiring an attractive sales force a smart and necessary practice to differentiate the store in the competitive retail environment? Do salespeople need to mirror the images seen in the retailer’s catalog and home page? Does all-American mean thin, tall, and white with blonde hair and blue eyes? If the store has great-looking college students working in the store, will others want to shop there? How important are retail experience and ability versus a pretty face?

In seeking good-looking employees, companies are risking lawsuits for discriminatory hiring practices. Hiring attractive people is not illegal, but discrimination on the basis of age, gender, race, national origin, disability, or ethnicity is. Employers may establish and enforce grooming and appearance standards. Exceptions to Title VII are possible if the employer can prove that one of the protected characteristics is a bona fide occupational qualification.

In 2003, Abercrombie & Fitch was named in two class-action lawsuits alleging discriminatory hiring practices. Black, Asian, and Latino plaintiffs alleged that they were denied sales associated positions. These workers were directed to low-visibility jobs in the stock room or maintenances department.

Abercrombie & Fitch did not admit guilt and denies that it engaged in any discriminatory practices but settled these cases for $40 million distributed to several thousand minority and female plaintiffs. The company agreed to appoint a vice president for diversity, use benchmarks, train all hiring managers, and hire 25 diversity recruits in an attempt to alter its white, all-American image and more accurately reflect the applicant pool in its stores. The settlement also calls for Abercrombie & Fitch to increase diversity in its promotional materials.

***DISCUSSION QUESTIONS***

1. Why would Abercrombie & Fitch want to hire employees with a certain look?
2. From a business perspective, do you think this is a good idea? What about from an ethical perspective or a legal perspective?

*Source: This case was written by Hope Bober Corrigan, Loyola College in Maryland.*

Teaching Notes

##### Case A3: Abercrombie & Fitch: Hiring for Looks

Synopsis: Clothing retailer Abercrombie & Fitch often recruited on college campuses and in the mall to find attractive young people and then urged them to apply for jobs. This company, known for building an attractive workforce, did so by aggressively hiring pretty young women and handsome young men to match their all-American brand image. Abercrombie & Fitch refers to these great looking sales associates as brand ambassadors. They project the retailer’s brand make the store a better experience for customers.

Use: Chapter 9 Generate discussion about the retail hiring process.

## Discussion Questions

1. **Why would Abercrombie & Fitch want to hire employees with a certain look?**

Hiring employees with a consistent look is one way to visually let the target market know you are the right retailer for them. If all the employees look like the target market wants to look, this sends a clear signal about the store’s image and which customers is aims to serve. Another aspect of this unified and specific look is to reinforce the retail brand’s image through live examples in every store, every day.

1. **From a business perspective, do you think this is a good idea? What about from an ethical perspective or a legal perspective?**

|  |  |
| --- | --- |
| **Yes, hiring for looks is an ethical**  **business practice.** | **No, hiring for looks is an unethical**  **business practice.** |
| * Being plain or unattractive is not considered a disability and therefore is not covered under Title VII * It is not a violation of federal anti-discrimination laws to hire for looks * Being attractive is a bona fide occupational qualification in retail stores because appearance is valued by customers * Grooming and appearance are essential to be successful in sales * Sale people must reflect the store’s brand equity, image and atmosphere to attract the target consumer in today’s competitive retail environment * Employees must match the retail concept * All aspects of the store should be consistent with the other promotional materials including the appearance of the sales associates | * Hiring for looks is another way to discriminate against women, minorities, the elderly, and people with disabilities * Hiring should be on the basis of retail skills, experience, ability and competency * Who decides what is attractive in the first place? Isn’t it based on the employer’s race, religion, country of origin or age? * Attractiveness standards are vague and create unfair hiring policies * Retailers are setting themselves up for violations of EEO laws and discrimination suits when they use a “hiring for looks” policy * Too many people in the US are over-concerned with beauty and appearance. Our beauty standards, based on models and actors, are not realistic for the “average” employee * Having diversity in the workforce will bring wider diversity in the customer group |

**Case A4: Salon-Only Hair Care Products Found Outside the Salon**

High-end, salon-only hair care products have been showing up on the shelves at grocery stores, discounters, and drugstores. Premium brands such as Nexxus, Paul Mitchell, Redken, Rusk, and Sebastian are clearly marked with “For Sale in Professional Salons Only.” However, these brands are being sold through mass-market chains in addition to the exclusive salon-only channel. This practice is known as diverting products from the intended channel of distribution.

Is this practice illegal? Currently there is no legislation prohibiting mass retailers from selling premium brands. Because a strong gray market exists for professional hair care products, drug chains, discounters, and food retailers offer salon-only brands in the same health and beauty aisles as the mass-market hair care brands. These high-demand hair care lines are also available through online retail sites.

When beauty supply distributors or wholesalers break contractual agreements with manufacturers, the makers of salon-only brands lose millions of dollars and risk their exclusive brand image and reputation when their products are sold in stores. Improperly diverted hair care products are estimated to be valued at up to $800 million of the industry’s $29 billion in annual sales.

On the Paul Mitchell Web site ([www.paulmitchell.com](http://www.paulmitchell.com)), the company is reminding customers to fight against the manufacturing, distribution, and retailing of counterfeit products through its Product Control Campaign. This education program is designed to warn customers of the possible danger of purchasing the Paul Mitchell brand from intermediaries other than professional salons. The risks associated with purchasing diverted products include possible tampering, expiration, contamination, or substitution.

***DISCUSSION QUESTIONS***

1. How do customers, manufacturers, salons, and retailers react to the practice of diverting “salon-only” products to discounters, drug chains, and grocery stores?
2. Will the education campaign launched by Paul Mitchell change where consumers shop for professional hair care products? Explain your rationale.

Source: This case was written by Hope Bober Corrigan, Loyola College in Maryland.

Teaching Notes

##### Case A4: Salon-Only Hair Care Products Found Outside the Salon

Synopsis: The describes the merchandising practice called “diverting”, moving products from their intended channel of distribution to high-end, high-service salons to mass merchandise discounters, drugstores and supermarkets. These products are also available online at through online drugstore sites.

Use: Chapter 14 Examines the merchandising practice of diverting and its impact on supply chain relationships.

# Discussion Questions

1. How do customers, manufacturers, salons, and retailers react to the practice of diverting “salon-only” products to discounters, drug chains, and grocery stores?

## Customers

* Found their favorite brands for a lower price at a more convenient location
* Confused to see the premium brand being sold outside of the salon
* Satisfied if the diverted product is genuine
* Disappointed or at risk if the diverted product is counterfeit or not a match for their hair type, cut or color

## Manufacturers

* Lost sales
* Diminished brand equity when their products are distributed in an intensive manner
* Lowered expectations of status and quality
* Risk that brand loyal customers will not have a consistent experience with the hair-care products when they are purchased outside of the salon
* Customers won’t buy products best suited for their needs without the advice of their hairdresser
* Some manufacturers have decided to employ their own sales representatives and stop using beauty supply distributors or wholesalers to avoid the problem of diverted goods

## Salons

## Have to sign contracts with the manufacturers that they will carry the full professional line and that they will sell only to individuals and not resell to other channels

* Want the clients to visit the salon when they need additional hair-care products to drive frequent traffic to the shop
* Want to make product recommendations to the client so they purchase the brands best suited for their hair cut, texture and color
* Like offering a full line of professional hair-care products; it improves the status of the salon
* Margins are good on these products

## Retailers

* Want to offer a full line of hair-care products
* Premium lines are in demand
* Margins are higher on salon products than for mass-market brands
* Not doing anything wrong

2. Will the education campaign launched by Paul Mitchell change where consumers shop for professional hair care products?

* Some customers will be motivated to save a few dollars or not make another trip to the salon to purchase their shampoo, conditioner, etc. and will continue to shop at grocery stores, discounters and drug chains
* Some shoppers will feel that the risk of tampering, substitution and contamination is too great and will be more comfortable buying professional hair-care products only through a salon

**Case A5: SaksFirst Builds Customer Relationships**

It’s Wednesday afternoon, and as usual, Gwendolyn has a fitting room ready for Mrs. Johnson. She has picked out some of the new items in Mrs. Johnson’s size that came in the previous week. She has everything from scarves to jewelry to shoes ready to go along with the outfits.

“Good evening, Mrs. Johnson. So how was your birthday?” Gwen asked.

“It was wonderful. My husband took me to Italy. Thank you for the card.”

“I pulled some new items for you to try on.” Gwendolyn said.

“Thank you, Gwen. You are the best!” replied Mrs. Johnson.

The reason Mrs. Johnson has such a friendly relationship with Gwen is because Mrs. Johnson is a regular customer and a SaksFirst member.

Saks Fifth Avenue started in the early twentieth century. Saks is considered the epitome of class, style, and luxury. When customers go to Saks, they receive excellent customer service, when they join SaksFirst – started in 1994 – they also receive a lot of additional benefits. SaksFirst is a preferred customer program that helps facilitate more personal customer sales associate relationships.

To become a member, a customer has to have a Saks Fifth Avenue credit card, and once she or he spends at least $1,000 a year, the customer is automatically enrolled. For every dollar spent, the customer will receive a reward point. At the end of the year, preferred customers receive 2, 4, or 6 percent in bonus points based on how much they charged that year above $5,000 at Saks.

SaksFirst customers receive many exclusive benefits. The tangible benefits include the points, rewards, and discounts. Customers also receive complimentary shipping and delivery for catalog and online orders, advance notice of sale events, the SaksFirst newsletter, catalogs, promotions and giveaways, double- and triple-point events, and double points on their birthdays. The intangible benefits include recognition and preferential treatment.

For the retailer, the main purpose of the SaksFirst program is to promote excellent customer service. The better the relationship between the customer and the sales associates, the more money loyal customers will spend. Every year there is a triple-point event in the first week of November. That one-day event accounts for the highest volume sales day of the year, higher than the day after Thanksgiving or Christmas. Knowing this, the company understands the importance of the preferred program.

The SaksFirst program can also be used by sales associated as a selling tool. If a customer is uneasy about purchasing large-ticket items, the sales associate can remind the member of the bonus certificate that will return a percentage of the cost. Sales associates are motivated to enroll as many of their customers as they can because they are given incentives such as “lottery tickets” that are redeemed for cash.

***DISCUSSION QUESTIONS***

1. How does SaksFirst build loyalty for Saks Fifth Avenue versus other upscale retailers (such as Nordstrom)?
2. How effective is the SaksFirst program in developing customer loyalty?

Whom should Saks target the SaksFi