Marketing 5e

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January 2016

Dear Professor,

We are delighted to inform you that the 5th edition is now in print. The new edition provides the power of the new **SmartBook** adaptive reading experience, which allows you to engage your students so that they are better prepared when they come to class. With the introduction of the 5th, edition there will be **new Video Cases** and new iSeeIt! Videos coming in connect. At the end of this newsletter, we have included a preview of the new material in 5e. If you haven't yet seen the 5e, request a sample from your McGraw-Hill rep or **request it online here**!

We are thrilled to provide the Grewal/Levy newsletter to empower you to provide current, cutting-edge examples of marketing in the classroom.

The newsletter includes abstracts of current articles, notes on the applicable chapters in the textbook, and discussion questions, together with their answers. The newsletter also features current videos. We hope you will find the visual and comprehensive topic coverage useful. The newsletter is also accessible at **grewallevymarketing.com**. We encourage you to tell us how you use the newsletter. Please send your feedback to **mlevy@babson.edu**.

Sincerely,

Dhruv Grewal and Michael Levy

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This newsletter summarizes article abstracts for the following topics:

- ***Videos***
- **Google Search Insights: A New Source of Data (Chapter 10)**
- **Buying Luxury Perfume in Low Price Channels (Chapter 16)**
- **The Premium Soda Market, As Interpreted and Targeted by Pepsi (Chapter 12)**
- **Small Coke Cans: Are Consumers Paying More for Less, or Are They Just Paying to Get What They Want? (Chapter 15)**
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- **Macy's Pursuit of Those Challenging Millennials (Chapter 5)**
- ***Article/Chapter Index***
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Videos

"Edible But Ugly"

- The United States throws out an absurd amount of fresh food each year, often because it does not fit cosmetic standards imposed by grocery retailers, which have nothing to do with the food's quality. One start-up company is seeking to address that problem by selling "Imperfect Produce" directly to consumers.
- 2:35 minutes
- Use with chapter 13, "Services: The Intangible Product"
- **http://www.nytimes.com/video/us/100000004050695/edible-but-ugly.html?playlistId=1194811622182**

"Hoverboarding at Venice Beach"

- It's one of the latest new product introductions. But is there a market for hoverboards, beyond experienced skateboarders? And how will regulatory authorities treat the new people movers?
- 1:20 minutes
- Use with chapter 12, "Developing New Products"
- **http://www.nytimes.com/video/us/100000004050975/hoverboarding-at-venice-beach.html?playlistId=1194811622182**

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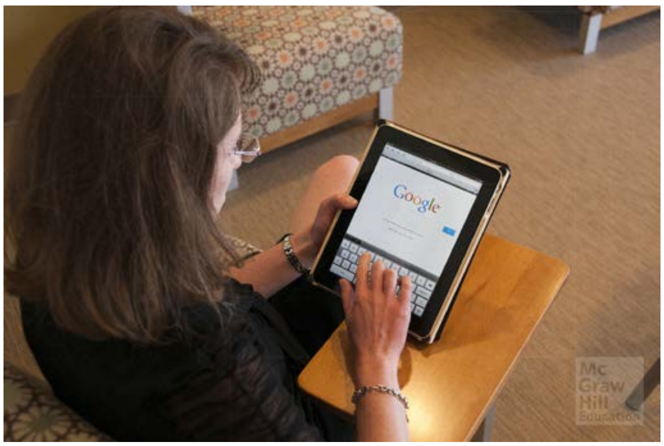
Google Search Insights: A New Source of Data

Tom Ryan, "Google Tool Offers Local Insights for Merchants," *Retail Wire*, October 29, 2015

Use with Chapter 10, "Marketing Research"

To help retailers determine which products consumers are most interested in at that particular moment and in a specific location, a new service from Google aggregates search data in remarkable detail. The Google Search Insights tool combines the various keywords, keyphrases, and spelling variations that reflect the ways consumers might search for certain products, then combines these data into heat maps that represent local demand.



For example, consumers in Berkeley, Calif., searching for paraphernalia related to the new movie might search for "Star Wars," "Star Wars: The Force Awakens," "starwars," or some other variation. Google Search Insights aggregates all these millions of searches, then shows that people in Berkeley are way more interested in *Star Wars* than in Minions, whereas online shoppers in Madison, Wisc., are focusing their searches on the little yellow Minions rather than on Jedi knights.

In addition to the location, Google can track the popularity of the searches over time and highlight that everyone started searching more for *Star Wars* in the immediate aftermath of the release of the first trailer for *The Force Awakens*.

With this location- and time-specific information, retailers can rapidly and appropriately adjust their marketing, supply, and promotions to appeal to what customers want, immediately and locally. In particular, Google links retailers using its Search Insights to its AdWords service, such that they can initiate a new search advertising campaign to respond to emerging demand.

Although Google already offered a version of these analytics, with its Trends service, the new tool provides increased geographic detail and organizes the data according to keywords, rather than products. Furthermore, Search Insights provides information for retailers about whether customers are searching mainly for the pertinent keywords on their mobile devices or through personal computers.

Discussion Question:

1. **How can retailers use Google Shopping Insights to improve their merchandise assortment allocation to stores?**

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Buying Luxury Perfume in Low Price Channels: Who Wins, and Who Loses?

Serena Ng, "Luxury Perfume Makers Turn to Wal-Mart, Target," *The Wall Street Journal*, September 26, 2015

Use with Chapter 16, "Supply Chain and Channel Management"

For many consumers who would never support illegal counterfeiting or unethical black markets, finding a great deal on a high-end perfume at their local Walmart or Target store is just a great score, without any ethical implications. But perfume and cologne producers emphasize that the grey markets that lead to the availability of luxury brands on discount store shelves require some ethical considerations.

Designer fragrance suppliers in the United States sell their brands, like Davidoff, Dolce & Gabbana, or Calvin Klein perfumes, directly to department stores and other high-end retailers. They do not sell to Walmart, CVS, or Target. However, in Europe and Asia, most suppliers sell their wares to distributors and wholesalers, which then supply retail networks, including the small perfumeries that tend to be more popular in Europe.

When these distributors and wholesalers cannot move all of the product they receive from the perfume suppliers, they likely are lured by the promise of the profits they can earn by selling the fragrances to mass retailers in the United States. Thus the perfumes go from U.S. suppliers to international distributors, then back to U.S. mass merchandisers, before reaching U.S. consumers. Yet the pricing system generally still allows the prices for these products to remain lower than the prices charged by department stores and perfumeries for the luxury brands.

The practice is not illegal, but it does constitute a grey market—that is, a market that falls outside the intended supply chain established by the supplier. The retailers vigorously assert that they have done nothing wrong in procuring the products, and they enjoy the nice bump in sales they can earn from selling a bottle of Hugo Boss perfume for something like $30—less than it would cost at Bloomingdale's, but a high ticket item for a discount retailer.

For the brands though, the grey market is far more threatening. In particular, when shoppers see a famous luxury brand for sale at Target or Walmart, they may start to perceive the brand as common or conventional, rather than high-end or premium. Such perceptions undercut the pricing structure that luxury brands work so hard to cultivate, in which their limited availability helps support their higher prices.

Accordingly, the brands and their owners increasingly are seeking to shrink or eliminate the grey markets for their products. For example, Procter & Gamble, which owns the rights to Hugo Boss, Gucci, and Dolce & Gabbana perfumes, has threatened to stop selling to distributors that provide these fragrances to unauthorized retailers. Davidoff perfumes sued CVS to stop it from selling grey market versions of its Cool Water perfumes in tampered packaging.

Discussion Questions:

1. **How do luxury perfumes end up in stores like Walmart and Target?**
2. **Are the premium perfume brands found at Walmart and Target representative of counterfeit, gray market, or black market goods? Justify your answer.**
3. **Who benefits from this stocking situation? Who loses? Consider the manufacturers, wholesaler/distributors, retailers, and consumers.**

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The Premium Soda Market, As Interpreted and Targeted by Pepsi

E.J. Schultz, "Pepsi Plans New '1893' Soda," *Advertising Age*, November 4, 2015. See also Laura Northrup, "The Sale Event for PepsiPerfect Was Deeply Flawed," *Consumerist.com*, October 25, 2015

Use with Chapter 12, "Developing New Products"

With the assertion that, despite some sales declines, people still love their carbonated beverages—whether they call them sodas, colas, pop, or something else—PepsiCo. is working to expand the market with high-end and special edition product offerings. The idea is that some space remains in the ongoing cola battle for premium consumers who want something a little distinctive and unique, rather than just the same mass-marketed brands.

For Pepsi, that means creating a range of smaller, distinctive cola options. For example, it recently introduced Caleb's Kola, which features African kola nuts, cane sugar, and unique spices, along with a slight citrus flavor.

The pseudonymous Caleb in that Kola also may be the inspiration for Pepsi's next rollout. It has applied for a trademark for the name "1893 from the Makers of PepsiCo." Although the meaning of the trademark has not yet been confirmed by the company, savvy observers recognize 1893 as the year that Caleb Bradham started selling his "Brad's Drink," which then became the first iteration of Pepsi-Cola. This original drink contained sugar, caramel, water, lemon, and nutmeg and was widely popular among the customers who visited Bradham's drug store in North Carolina.

Although both Caleb's Kola and the 1893 line appear to hearken back to Pepsi's past, another recent launch of a premium option played on its future. Noting the arrival of Marty McFly day (i.e., the future date set in the modified DeLorean time machine at the end of the first *Back to the Future* film), Pepsi introduced a very limited run of "Pepsi Perfect," which was the version of the beverage available in the anticipated future depicted in the second entry into the movie series. With a production run of only 6500 bottles, Pepsi Perfect was tough to get, offering a clear distinction to those lucky few who snagged the collectible bottles in time.

Both Caleb's Kola and 1893 appear designed to be somewhat broader in their distribution. In another, similar move, Pepsi announced that it was developing an additional line, called Stubborn Sodas, as well. Thus in its efforts to address declining consumption, Pepsi evidently is diversifying, seeking to appeal to those who dismiss mainstream tastes but love the notion of something special and nostalgic to drink.

Discussion Question:

1. **What kinds of sources is Pepsi using to develop new product ideas in these examples?**

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Small Coke Cans: Are Consumers Paying More for Less, or Are They Just Paying to Get What They Want?

Seb Joseph, “Coca-Cola Has an Internal Strategy Called ‘Marketing in Smaller Sizes’ to Make People Buy Its Soda More Often for More Money,” *Business Insider*, November 18, 2015. See also Rachel Arthur, “Coca-Cola Sees Big Success with Small Pack Sizes, Celebrating a ‘Tremendous Amount of Positive Growth’,” *BeverageDaily.com*, July 23, 2015

Use with Chapter 15, “Strategic Pricing Methods”

When Coca-Cola checked its sales data recently, it found consistently over the past few quarters that sales of smaller containers, such as 7.5-ounce cans, were growing fast, while traditional packages kept suffering stagnant or even decreasing sales. The evidence has prompted the beverage company to revisit its approach, such that its goal is not just to sell Coke but rather to sell Cokes.

What’s the difference? Consumer trends have led more people to request and purchase small containers of cola, so that they can limit their intake and achieve healthier lifestyles. In particular, parents wanted the smaller containers so that they could allow their children to have a treat, without loading them up with more sugar and caffeine than would be good for the kids. Therefore, they sought to be able to buy a 12-pack of small cans or bottles, rather than a 6-pack of the traditional 12-ounce packages. The volume of actual beverages being purchased might not change, or even might decline. But the number of packages being bought increase. As a result, approximately 14 percent of Coca-Cola’s product mix now consists of the small servings.

In addition to revising its perspective on what customers actually want, Coke has reinvented its pricing approach. In particular, it enjoys a beneficial new price platform due to the switch. The cost to consumers for the small cans is approximately the same as that for the larger packages, meaning that shoppers pay approximately the same amount of money for substantially less product. But for the most part, they appear willing to do so, because the smaller packaging meets their needs and represents a clear response to their requests. The 17 percent sales growth in the small size categories affirms this willingness.

As a result of “more people, enjoying more Coke, more often, for a little more money,” Coca-Cola also has increased its revenues, despite decreased volume sales. Although the threat of cannibalization remains pertinent, such that the sales growth in small packages might only come at the cost of lost sales of larger ones, the company appears confident that it is in the right path.

Discussion Question:

1. **What pricing tactics is Coca-Cola adopting for its smaller sized packaging, and why is it working?**

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Landing an Endorsement Contract on *Empire*: Fiction, Reality, and Pepsi

Joe Flint, "Pepsi Gets Taste of 'Empire' Drama," *The Wall Street Journal*, November 19, 2015.

Use with Chapter 18, "Integrated Marketing Communication"

Product placements in popular films and television shows are a well-proven and relatively effective marketing tactic. But when it comes to *Empire*, everything is a little larger than life, leading Pepsi to recognize it needed to go big with its latest marketing innovation too. That is, it would not be enough just to have Cookie drinking a Pepsi. The brand wanted to become part of the story, thus ensuring that fans of the Lyon family would be exposed to its products throughout the show, whenever they get around to watching it.

This potential market is huge: *Empire* attracts an estimated 13.5 million viewers when each new episode airs, and then another 9.2 million viewers who watch at their leisure, through different on-demand services (e.g., DVRs, Hulu). These latter viewers constitute an ongoing challenge for marketers though, because in many cases, they do not see the same commercials, and with some services, they even can fast forward or avoid the advertising altogether.

What they cannot miss though is a three-episode storyline in which Jamal, the young *Empire* character played by Jussie Smollett, earns himself an endorsement contract with Pepsi, shoots the commercial, and then presents it to other musicians during an industry event. Throughout these three episodes, Pepsi is a constant and aspirational presence; the fictional the endorsement is a signal of success for Jamal's emerging music career. Furthermore, the pitch that the fictional Pepsi executives make to Jamal, to convince him that the endorsement is in his best interest, includes the assertion that Pepsi has a long and storied history of working with cutting-edge musicians and artists. The line serves to "sell" Jamal on the idea of the endorsement, even as it sells viewers on the image of Pepsi as cool and iconic.

Moving beyond these fictional elements, the commercial that Jamal shoots in the show then appears during the actual commercial breaks of the show. The advertisement itself was directed by the show's creator Lee Daniels, which helped ensure consistency in the tone and image between the show and the marketing communication. Calling it gritty and raw, Daniels promises that the ad, appearing both in the show and during its commercial breaks, would not be "an experience that's been experienced by the regular Pepsi commercial viewer before." This thematic consistency is part of what Pepsi is counting on, to make sure that consumers do not regard the endorsement storyline and associated marketing as a sell-out by their beloved show or its creators.

The deal actually required several agreements. First, Pepsi paid Fox, the network that airs *Empire*, a reported $20 million for the right to enter the show and advertise in and through it. Second, Pepsi entered into separate contracts with Smollett, the actor who plays Jamal and is thus endorsing the company indirectly, and with Daniels, the director creating the vision for the marketing plan by directing both the show and the advertisement.

The experiment thus has required substantial resources from Pepsi. But the company considers the innovative marketing a risk worth taking, especially in response to information from Nielsen about advertising retention. Recent Nielsen data reveal that when a product appears both in the show's content and during a commercial broadcast during the show, viewers remember that product 18 percent more than if it is solely advertised in a traditional way.

Moreover, *Empire*'s primary audience is exactly the consumers that Pepsi hopes to attract. Young and hip, these viewers also seem fine with watching a family whose moral compass is a bit off center at times. Still, Pepsi chose Jamal, among the least controversial or violent of the members of the Lyon family, as its linked character, likely to avoid any brand damage that might result if Lucious were seen holding a bottle Pepsi while threatening to murder his uncle.

Discussion Questions:

1. **Is this marketing tactic likely to catch on widely? Why or why not?**
2. **What other types of advertisers and content providers might benefit from similar agreements? Which would be inappropriate candidates?**

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Shorts or Sweats, Tanks or Hoodies: Using a Weather App to Decide Which Nike Gear to Choose

Sydney Ember, “Nike Embraces Weather App in Campaign to Sell Gear Suited to Local Conditions,” *The New York Times,* October 29, 2015

Use with Chapter 18, “Integrated Marketing Communications”

You get up in the morning, gearing up in your mind for a good run to start your day. But what do you put on: shorts or sweats? Do you need a sweatshirt, or would your technical top be a better option? And what about rain gear? To answer these questions, you need information about the weather, and because you’re a modern consumer, you likely pick up your phone to check your favorite weather prediction app. Like a lot of people, maybe you click on the Weather Channel’s app to find the temperature, rain chances, or humidity.

And that’s exactly why Nike has begun posting advertisements in the Weather Channel’s app and developing a simultaneous weather-oriented campaign for various advertising channels. Nike recognizes that consumers frequently face a key decision at the point at which they check the weather on their phones or mobile devices. This decision often revolves around what they should wear, and Nike wants to make sure that its brand is prominent and evident, prompting people to lean toward their Nike undershirt or gym shorts as they select their apparel.

Furthermore, the app is specific to the weather conditions the consumer sees. If an early morning jogger checks the weather and finds that it is cold and dark out, the embedded link to Nike’s site will take him or her directly to the page featuring a cold weather vest with reflective stripes, for example.

Around the same time it started inserting its advertising on the Weather Channel app, Nike also released a new advertising campaign, “Snow Day,” in which dozens of star athletes from various sports awaken to snowy conditions but head out, equipped in Nike gear, to enjoy a quick pick-up game. The idea is to remind consumers that even in terrible weather, exercising can be fun and safe, especially if they are wearing the cold weather gear that Nike sells.

The parallel campaigns reflect several insights Nike has gained. First, virtually everybody complains, thinks, and talks about the weather, so it can reach a broad audience by cooperating with the Weather Channel. Second, Nike recognizes the potential limitations imposed by new ad-blocking software for apps. By integrating its marketing communications within the app, it can sidestep those blockades and ensure that consumers see its advertising. Third, recent evidence indicates that people using apps engage more with the brands appearing within them than do consumers in most other channels. According to some reports, U.S. consumers spend approximately 60 percent of their time online interacting with mobile apps. Therefore, to drive its broader e-commerce strategy, Nike is looking to interact with potential users in the channels that they use the most.

Discussion Question:

1. **Do you use a weather app? What advertisements do you see on it? Do those advertisements prompt you to visit the advertisers’ websites or interact with them further?**

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Adidas’s Two-Pronged Approach: High-Tech Innovation and High-Fashion Yeezy

Ellen Emmerentz Jervell, “Adidas Puts Some Spring in its Step,” *The Wall Street Journal*, August 20, 2015

Use with Chapter 11, “Product, Branding, and Packaging Decisions”

For most of its history, adidas has relied on its innovative and technical capabilities. That is, its distinctive claim has been that it designs shoes that are better suited to the needs and demands of athletes than any other company. But relying exclusively on these assertions has proved insufficient for appealing to consumers broadly. Rather, rivals such as Nike and Under Armor have been attracting buyers by offering image-based appeals and brand images. The solution that adidas recently has devised to these competitive challenges seeks to combine both appeals: It is not rejecting its essential advantage but rather is working to combine its high-tech efforts to improve sneakers with a cutting-edge image, relying on the assistance of a well-known spokesperson.

The Boost shoe line specifically emphasizes the radically new plastic used in the soles of the shoes, which adidas promises will offer athletes more explosive jumps and better spring as they run. Despite this main emphasis, most consumers likely are paying a bit more attention to the name of the person designing and wearing several of the products in this shoe line: Kanye West.

West entered into an agreement with adidas after he was spotted wearing Boost sneakers. He already has designed several lines of clothing and shoes, including three iterations of the “Yeezy Boost.” He modeled his latest shoes in the most recent Fashion Week in New York, and he continues to sport them in the pictures that fill various media outlets.

To capitalize on the trendiness and appeal of West’s participation, adidas is purposefully minimizing the production runs of the Yeezy Boost, manufacturing fewer shoes than it predicts customers will demand. Therefore, some people seeking the shoes will not be able to purchase them, which may increase the coolness factor. Adidas also hopes it leads those seeking the Yeezy line to consider purchasing one of the other Boost models. The tactic already has led to lines of customers outside stores, waiting to purchase the $200 footwear.

Adidas also recognizes both the benefits and the potential concerns surrounding a close relationship with a public figure as controversial as West. He provides some credibility and a modern, cutting-edge image. But West also is known for his strong statements of opinion (and marriage to Kim Kardashian), which could run counter to adidas’s strong image as a well-established provider of well-designed, athletically focused gear.

The potential conflict is a primary reason that adidas continues to highlight the Boost technology as the main benefit that consumers can obtain if they buy the shoes. People might visit stores or the online adidas site because they want to look like Yeezy, but adidas hopes they will continue buying because the shoes help them run like the wind.

Discussion Question:

1. **Is a collaboration with Kanye West an appropriate choice for adidas? Why or why not?**

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Growing By Leaps, Bounds, Jumps, and Runs: How Sketchers Is Dominating the Sneaker Market

Marina Nazario, "An Underdog Is Taking Over the Sneaker Market," *Business Insider*, September 29, 2015; Sara Germano, "Sketchers Strides into Second Place in U.S. Sports Footwear Market," *The Wall Street Journal*, May 18, 2015

Use with Chapter 2, "Developing Marketing Strategies and a Marketing Plan"

How has Sketchers—the little brand with the cool logo—posted such massive recent growth, such that it is striking fear in the executive boardrooms of the big athletic brands? The short answer is its stellar marketing strategy. Consider some elements.

First, Sketchers targets its marketing efforts at teens and children. Hiring popular spokespeople such as Demi Lovato and Meghan Trainor, it sparks these young consumers' interest and desire for its trendy products. The children request purchases by their parents, who might be tempted to grab a pair of shoes for themselves as well. Furthermore, this target market is appealing and continuous: It is made up of consumers who literally must have new shoes, as they outgrow their previous pairs.

Second, Sketchers continues a steady pace of international growth, enabling it to establish footholds in various markets. Some of its most recent entries include Nigeria and the Czech Republic. Accordingly, it predicts that by the end of 2015, it will have opened approximately 1,250 stores around the world.

Third, its price points continue to be lower than those of many of its competitors. This positioning is particularly effective because many consumers buy Sketchers less for athletic pursuits than for everyday wear. Even though it maintains that its shoes support athletic efforts and games, Sketchers really is more of an "ath-leisure" brand, enabling consumers to wear comfortable gear as they go about their regular days, rather than focusing on their exploits at the gym.

As a result of this strategy, Sketchers' sales grew an astounding 36.4 percent in a recently reported quarter. Its market share in the United States accordingly has grown to 5 percent—still way behind the market leader Nike, which owns 62 percent of the market, but enough to surpass adidas, which accounts for 4.6 percent of the market. No wonder these traditional competitors are growing bit nervous.

Discussion Questions:

1. **What kind of advantages does Sketchers' marketing strategy seek to leverage?**
2. **What growth strategies should Sketchers pursue in the future?**

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Take a Yoga Class, Watch a Yoga Demonstration, Then Buy New Yoga Pants: How Lululemon Seeks to Become a One-Stop Shop for Yogis

Adrianne Pasquarelli, “Lululemon Tries New Store Concept in Efforts to Woo Shoppers,” *Advertising Age*, November 17, 2015; Mallory Scholossberg, “Lululemon Has Unveiled Its New Store of the Future,” *Business Insider*, November 18, 2015

Use with Chapter 13, “Services: The Intangible Product”

There are some new, service-oriented offerings available in the newly open, flagship, Manhattan-area Lululemon store. Approximately one-third of the store will not be retail space, in the traditional sense. Instead, concierge services, available to recommend a nearby gym or help shoppers book class time, will take up part of the facility. On another floor, the Hub Seventeen concept will create space for yoga classes, demonstrations, concerts, and other community-building events.

Thus far, these two innovations are available only in the Manhattan store. But Lululemon believes that it can increase the sense of community surrounding its stores in various areas, especially with its concierge service. Concierges on staff would suggest places in any local area where shoppers could take a jog or find a healthy meal. In invoking this sense of community, Lululemon hopes to become a new “third place” for its consumers and fans, such that they might feel comfortable stopping by to have a cup of tea and relaxing in the store for a while, even if they are not ready to buy a new mat or workout gear immediately.

Although the Hub Seventeen space may be less likely to expand throughout the chain, it similarly implies the company’s effort to make its stores more than just retail outlets. In particular, with the offer of yoga classes, Lululemon gives its customers what they clearly want, namely, a space to practice the type of exercise for which they already have purchased the gear.

Such efforts seemingly reflect an attempt to overcome some bad press that the company recently suffered, including that resulting from thoughtless comments by a former executive, who implied that overweight people were not the company’s target market. Lululemon also invoked serious customer complaints when it raised the price of a popular pant style, as well as when consumers discovered a production error, such that multiple batches of its yoga pants were embarrassingly transparent.

Discussion Questions:

1. **How should Lululemon market its new concierge services?**
2. **How should it price those services?**

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The Slow Shopping Trend: Relaxing for Consumers, Profitable for Retailers

Ellen Byron, "The Slower You Shop, The More You Spend," *The Wall Street Journal*, October 20, 2015; Tom Ryan, "Should Retailers Slow Down Shopping?" *Retail Wire*, October 30, 2015

Use with Chapter 6, "Consumer Behavior"

If modern buyers can get everything they need, delivered to their door quickly and efficiently, without having to leave home, what's to prompt them to visit stores? This question, and its answers, appear to underlie some of the latest experiments by creative retailers that encourage consumers to embrace the beauty of "slow shopping."

Rather than prioritizing efficiency, speed, or moving customers through their stores, these retailers provide inducements for shoppers to linger, spend time leisurely making their way around the store, and test various product options. For example, dozens of Origins stores now feature sinks in stores, with open jars of the brand's skin care products awaiting next to them. Consumers can lather up with the various options, determining which scent they like best or which version feels nicest on their skin. The ingredients to the products are featured in jars displayed on nearby shelves. Although no one can purchase the displayed ginger or mushrooms, they provide insights into what goes in to the products that customers are playing with in the sinks.

Other retailers devote considerable, and valuable, square footage to such non-revenue–inducing offerings such as libraries, performance spaces, expansive seating, and selfie walls. Rather than packing more products into a space, these retailers consciously are reducing the number of products available in stores, in the hope that the in-store experience will be so appealing that more customers will visit and spend more time there.

In support of this rationale, research studies consistently show that the more time people spend in a store, the more they buy. In the past, high-end department stores embodied this concept, providing fancy restaurants and tea rooms that allowed shoppers to take a break halfway through an all-day visit to the stores. Even local drugstores encouraged people to linger, offering soda fountains or lunch counters.

Modern anecdotal evidence affirms the idea too. When Club Monaco added non-retail offerings to its various stores, with locally specific offerings (e.g., a whiskey bar in London, a farmer's market in Hong Kong) and décor, shoppers started asking sales clerks if the apparel company provided home decorating services too. They also started buying the furniture and artwork on display. In turn, the retailer has initiated a renewed concept of inventory rotation, such that its in-store decorations change every few months, depending on what shoppers have purchased.

The appealing in-store experience also can attract people who have never shopped with the brand before. Urban Outfitters thus hosts concerts to get music fans in its shops. By setting up a lunch counter, Restoration Hardware attracted one Chicago-area shopper who had never been there before, but needed a quick bite during the work day. Instead, she lingered in the store and purchased several towel sets and rugs that she normally would have bought online.

Discussion Questions:

1. **What is "slow shopping?"**
2. **Is this strategy new to retailing?**
3. **Why are more retailers implementing "slow shopping" strategies?**
4. **Under what circumstances or for which product categories do you prefer "slow shopping" to "fast and convenient" shopping?**

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The Off-Price Retail Revolution: High-End Names, Low-Price Options

Suzanne Kapner, "Macy's Fights Downward Spiral with Bet on Off-Price Backstage Stores," *The Wall Street Journal*, November 11, 2015; George Anderson, "Lord & Taylor Is the Latest to Take the Off-Price Route," *Retail Wire*, October 27, 2015

Use with Chapter 17, "Retailing and Omnichannel Marketing"

The debate about whether department stores are disappearing or just undergoing a metamorphosis continues, with no evident end in sight. But in either case, it appears that even the most stable and consistent of department store chains are discovering that they need to adjust if they are to remain in business. A remarkable shift thus is emerging, in the form of off-price partner brands, introduced and run by the traditional parent brands.

The success of Nordstrom Rack represents a clear impetus. It was followed by Saks Off Fifth. Thus two of the first entrants into this market segment entered with the benefit of high-end, luxury brand images. More recently, the trend has spread to other department stores, including Macy's and Lord & Taylor.

Lord & Taylor's roll out its off-price chain, which it will call Find@Lord & Taylor, began in Paramus, New Jersey. The new store of approximately 35,000 square feet will feature both apparel and home furnishings. The inventory, split about evenly between off-price and clearance items, seeks to appeal to younger and small family market segments, which differs from the demographic profiles that tend to shop at traditional Lord & Taylor stores. With plans to open six more locations within the next year, Lord & Taylor notes that the inspiration for this expansion came largely from its sister company Saks.

For Macy's, the move to introduce its Backstage chain of off-price stores followed nearly six years of planning and internal debate about whether it was an appropriate move. Macy's had long relied on its strong capabilities and foundational advantages, which enabled it to grow through acquisition and leverage its customers' desire for a range of brands and price points. With the Backstage chain, Macy's still seeks to establish a distinctive advantage, though with a slightly different approach. For example, Backstage will have plenty of clearance items that Macy's also sells, but it also plans to include discounted merchandise from other retail sources. That is, some of the products on offer will be unique to Backstage and cannot be found in Macy's regular stores.

Collected evidence has continued to indicate that the off-price market is where customers are heading. In particular, the expanding success of rivals such as TJMaxx and Marshall's—a segment whose sales grew approximately 44 percent over the past five years—has indicated that customers prefer to access low prices immediately, on every visit, rather than waiting for items to go on sale. Furthermore, sales data reveal that more and more shoppers have adopted "opening price mindsets," such that they regard the prices posted on sales tags as just the first offer. They remain ready to negotiate or wait for a second, or third, price offering, or else to head to a store that will provide the lowest price at that very moment.

Discussion Question:

1. **How are traditional department store retailers changing their 4Ps by opening off-price brands?**

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Macy’s Pursuit of Those Challenging Millennials

Marina Nazario, “Macy’s Has a Master Plan to Capture the Most Difficult Customers,” *Business Insider*, October 3, 2015

Use with Chapter 5, “Analyzing the Marketing Environment”

Faced with some surprising sales declines and threats to its status as the leading department store brand, Macy’s has determined that the best strategy is to pursue those elusive young shoppers known as Millennials. Accordingly, it has implemented a $400 million renovation effort for its flagship New York City store, testing out various options that might attract more of the market of shoppers between the ages of 18 and 35 years.

In that flagship store, the basement level is newly designated “One Below,” and it offers a notably different shopping experience. In addition to merchandise designed to appeal to Millennials, it provides services such as blow drying stations, jean embroidering, and watch engraving. Shoppers can use a 3D printer to create their own custom jewelry, and a touchscreen wall allows them to take high-quality selfies.

These tests, if successful, are likely to spread to other locations as well. In the meantime, Macy’s is opening more off-price stores, seemingly following the successful lead of Nordstrom with its Nordstrom Rack stores.

These moves reflect the conventional wisdom about what Millennials want. In particular, studies show that these young consumers tend to devote their spending more to personal or digital services than to apparel. They also suffer higher levels of debt, mostly due to student loans, and earn less on average than previous generations. As a result, they generally seek lower priced options for their fashion choices.

This preference puts them in direct contrast with the previous big cohort of shoppers, namely, the Baby Boomers. The consumers in this age group, as they start to retire from the work force, exhibit strong spending patterns and have enviable levels of discretionary income and time. From this perspective, some observers suggest Macy’s might be going after the wrong age demographic—unless Baby Boomers like selfie walls too.

Discussion Questions:

1. **What is Macy’s plan to attract Millennials?**
2. **Do you shop at Macy’s? Why or why not?**
3. **Given your answer to question 2, do you think Macy’s Millennial strategy will be successful?**

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What's new in 5e

Chapter 1: Overview of Marketing, starts with a discussion of Starbucks' success and the role of marketing in it. There is a new Superior Service box on how the Sol Wave House is incorporating twitter to enhance customers' experience there. A new Social and Mobile Marketing box that discusses how companies are partnering with social media sites such as Twitter and Facebook appears in this chapter. There is a new Adding Value on new innovations in the "smart" market. Also, a new Ethical and Societal Dilemma box on how firms are using the location technology in smartphones has been added. Finally, we conclude with a new case study highlighting Starbucks' growth strategy, a nice tie-back to the opener and the cover concept.

Chapter 2: Developing Marketing Strategies and a Marketing Plan, begins with a comparison between Nike vs. adidas that weaves throughout the chapter. We introduce a new Adding Value box highlighting how online retail meets brick and mortar: Tesco's HomePlus virtual stores. There is a new Ethical and Societal Dilemma addressing the safety concerns for factory workers in the garment industry. Finally, a new case study highlighting the yogurt wars—Pinkberry versus Red Mango—closes this chapter.

Chapter 3: Social and Mobile Marketing, starts by highlighting the success Gatorade has experienced with its innovative Social Media Mission Control Center. We introduce a new 4E framework visual in Exhibit 3.1. There is a new Social and Mobile Marketing box on how Lexus and Jimmy Fallon launched an original campaign that engaged viewers via social media. Exhibit 3.2 uses new examples to illustrate different social media campaigns. We introduced a description of Instagram in the Media-Sharing Sites section. The Going Mobile and Social section was redesigned to describe the seven primary motivations for mobile app usage (Exhibit 3.4) and the different App pricing models. A new Exhibit 3.5 illustrates Apple App Store revenue by app category pricing models. We conclude this chapter with a new case study: Images, Sales, and Brands: How Red Bull Uses Various Social Media Techniques to Achieve All Its Objectives.

We start **Chapter 4:** Marketing Ethics, by highlighting ethical concerns with computer cookies used by marketers to track customers' web activity. Exhibit 4.5 highlights the CRS programs for 10 major companies. We end the chapter with a new case study examining the ethical concerns related to new technologies designed for young children.

Chapter 5: Analyzing the Marketing Environment, begins with a discussion of a how hotels are responding to new customer needs—for example, by offering increasingly extensive accommodations for pets. A new Social and Mobile Marketing box discusses the discrepancies between where marketers are devoting their media budget and what types of media Millennials actually interact with. A new Adding Value box pertaining to how marketers successfully and unsuccessfully use gender-based marketing strategies has been added. There is also a new Adding Value box discussing a recent trend in grocery stores to have in-house dietitians highlight healthy food options. A new Ethical and Social Dilemma box pertaining to the use of palm oil in General Mills' products has been added. A new Social & Mobile Marketing box on the 2014 Consumer Electronics Show (CES) is also presented.

Chapter 6: Consumer Behavior, begins with discussing Google Glasses and other wearable technologies. The following new boxes are added: Ethical and Societal Dilemma on how Google is punishing companies that use questionable techniques to improve their search engine optimization; Social and Mobile Marketing on the new health-related apps; Superior Service on the success of H-E-B supermarkets; and another new Social and Mobile Marketing box on how Sephora implements cross-channel marketing.

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Chapter 7: Business-to-Business Marketing, starts with an interesting discussion on how 3D printing could potentially change B2B marketing. A new Superior Service on applications of IBM's Watson computer was added. The chapter ends with a new case study on how Levi Strauss & Co. buys materials to manufacture jeans.

Chapter 8: Global Marketing, has a new opener highlighting Coca-Cola's efforts to expand its market share in India. The Choosing a Global Marketing Strategy section has been restructured around the three primary strategies companies employ. New boxes include an Ethical and Societal Dilemma about how Chinese regulations have changed car-buying trends; a Social and Mobile Marketing box that compares and contrasts Facebook's strategies for entering Brazil and China; an Adding Value box examining Starbucks' entrance into the Indian market; another Adding Value box contrasting Ford's and Chevy's strategies to bring their American muscle cars into the global market; and a Superior Service describing the success of Alibaba. Finally, there is a new case study at the conclusion of this chapter that highlights the globalization of McDonald's.

Chapter 9, Segmentation, Marketing, and Positioning, opens with how Netflix targeted different segments in regards to its new original shows. New boxes include a Social and Mobile Marketing box highlighting Facebook's struggle to remain relevant while gaining popularity among an older audience; a Superior Service on how airline companies are using the data they collect to improve customer experiences; an Ethical and Societal Dilemma box discussing the ethical issues regarding loyalty programs; an Adding Value examining the cancellation of the show Longmire; and another new Adding Value box discussing Self magazine's repositioning strategy.

Chapter 10: Marketing Research, begins with a discussion about the marketing research Disney undertakes to better serve its customers. The Internal Secondary Data section now includes information regarding big data. There are several new boxes including a Superior Service examining the pros and cons of McDonald's extending its breakfast hours; a Social and Mobile Marketing highlighting the diffi culties Nielsen is facing because of new trends in television watching behavior; another Superior Service illustrating the accuracy of Google Analytics in regard to the success of movies; and a new Ethical and Societal Dilemma discussing the ethical concerns surrounding the use of mannequins equipped with recording tools.

Chapter 11: Product, Branding, and Packaging Decisions, begins with a new opener on Red Bull's branding strategy. A new Ethical and Societal Dilemma box about Coca-Cola's promise to stop advertising to children has been added. This chapter also includes a new Adding Value box regarding American Airlines' rebranding strategy.

Chapter 12: Developing New Products, begins with another discussion of the applications of 3D printing, this time in regard to the development of innovative new products across various industries. The chapter concludes with a new case study analyzing the launch of Google Glass.

Chapter 13: Services: The Intangible Products, includes an opening vignette that describes how companies like Samsung and Seamless food delivery service are using Twitter to provide excellent customer service. A new Social and Mobile Marketing box discusses how American Express connects its customers with deals via its Twitter account and TripAdvisor.

Chapter 14: Pricing Concepts for Establishing Value, describes pricing concepts using new examples from Procter & Gamble (opening vignette) and Disney and Universal theme parks (Superior Service box). The influence of the Internet and economic factors on pricing are now integrated throughout the chapter and book. The chapter ends with a new case study on Planet Fitness.

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Chapter 15: Strategic Pricing Methods, opens with an examination of McDonald's unsuccessful launch of its Mighty Wing product line and the general effect that McDonald's has on market prices. New examples in this chapter include an Adding Value box describing how various companies are changing the meaning of value options to refer to the benefits they offer; another Adding Value box discussing Walmart's expansion into the organic food market; and a new Ethical and Societal Dilemma box highlighting instances of price fixing in the candy industry.

Chapter 16: Supply Chain and Channel Management, opens with a new vignette highlighting how exceptional channel and supply chain management has contributed to Amazon's success. The different bases of channel power are illustrated in a new exhibit. There is a new Superior Service box about the different strategies Amazon and Walmart are using to win the same-day grocery delivery market.

Chapter 17: Retailing and Omnichannel Marketing, begins with a discussion of how the implementation of omnichannel marketing has aided the success of H&M's flagship Times Square location. Other new examples include a Superior Service box about Trader Joe's; an Adding Value box highlighting the myWeeklyAd service offered to CVS ExtraCare members; and a Social and Mobile Marketing box detailing how Home Depot is improving customer experiences with modern technology.

Chapter 18: Integrated Marketing Communications, discusses the concepts that are important to consider regarding integrated marketing communications (IMC). A new Adding Value box appears highlighting the unique aspects of Jeep's celebrity endorsement strategy. There is a new Social and Mobile Marketing box examining how Google is using a combination of nostalgia and modern technology to promote various companies including Coca-Cola. Finally, there is a new case study accentuating Volvo's IMC strategy.

Chapter 19: Advertising, Public Relations, and Sales Promotions, starts with examinations of Chipotle's "Food with Integrity" and "Cultivating Thought" campaigns. There is a new Social and Mobile Marketing box on Twitter's advertising formats and future plans.

Chapter 20: Personal Selling and Sales Management, begins with a description of how the Boeing Companies' personal selling approach has engaged clients and made Boeing the top-ranking airline manufacturer. The chapter includes two new boxes, a Superior Service box on the cloud-based CRM system provided by Salseforce.com, and an Ethical & Societal Dilemma box analyzing the implications of realtors becoming reality TV stars.

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