

Retailing Management
MKT3540-01

Fall 2013

T/Th 1:40-3:15

Classroom:

mlevy@babson.edu

Office: Kriebel 215

Office Hours: Before and after class and by appointment

WHO SHOULD TAKE THIS CLASS:

Retailers lie at the end of the supply chain. They interface with the ultimate consumer as well as suppliers. Retailers make investments in real estate and solicit funds from the investment community. Importantly, multi-channel retailing has all but revolutionized the retailing scene in the last few years. As a result, this course should appeal to a number of rather different Babson constituencies—those who want to go into:

Retailing management

Suppliers to retailers (or any business selling inventory or services to retailers)

Real estate

Entrepreneurial ventures

IT and e-commerce

Retailing Management is also one of the two required classes in the retail supply chain concentration. For more information on this concentration, go to www.babson.edu/retail

OBJECTIVES:

Familiarize students with the decisions involved in developing a sustainable competitive advantage in retailing and the concepts and principles for making those decisions.

NATURE OF CLASS MEETINGS:

This course utilizes cases, experiential exercises, and class discussion. Little class time will be devoted to topics that students can readily comprehend on the basis of self-study.

For some topics, a discussion will precede a written assignment or case. Most of the time, however, students will be required to prepare the assignment or case by studying the material on their own. In either case, you will be encouraged to participate and ask questions.

METHOD OF EVALUATION:

There will be two exams, a number of written exercises and cases, and several group presentations. Materials covered by guest lecturers will be included on the examination. Students are expected to arrange their personal schedules to be present. Students must inform the professor prior to turning in a late assignment or missing an exam or even valid excuses will not be considered.

For most assignments, you will prepare a PowerPoint presentation. When you turn in your PPT, utilize the notes convention so I can more easily go back and grade your presentation after class. For some assignments, not every group will have time to present, so your notes for the PPT will be used to establish your grade. Please email your assignments to me at mlevy@babson.edu prior to class. Any assignment submitted after the class starts will receive a grade of zero.

PARTICIPATION

Class participation is worth 100 points and consists of both attendance and contribution to class discussions. If you never contribute in class or if you miss several classes, you will receive a low grade (C, D, or E) for class participation. If you contribute occasionally but rarely add value your grade will be in the B-C range even if you attend every class. Grades of A are reserved for students who participate with insightful comments, experiences, or thoughtful questions in almost every class. You can ask for feedback on your participation performance at any time.

MISSED CLASSES

I do not take roll. If you must miss a class when an assignment is due, but it is not your group, you can submit an individual written assignment for the missed class at the beginning of the next class session and it will count toward your class participation grade. If you miss a class when a group assignment is due, you will receive a zero on that assignment unless you have prior approval.

CASES

There are two Harvard cases in this course: Zara and Mitchells/Richards. You are expected to be familiar with these cases to the point that you can respond to specific questions assigned for that case in class and contribute to class discussion of the key issues presented. Students will be called on at random to take part in class discussions. Your class participation grade will depend on it. We will also do the Santa Bears case (handout) and a merchandise budget plan case (Case 20 in text, page 563).

PRESENTATIONS

There will be several ten minute (or so) group presentations. All groups must prepare a presentation, and I will choose groups at random to present until we run out of time. Everyone in the group should participate in the presentation. Make sure you use the “notes” convention in PowerPoint so I can grade your presentation.

DISABILITIES

Any student who feels he or she may need an accommodation based on the impact of a disability should contact me privately and in a timely fashion to discuss his or her specific needs. Students must also contact the Manager of Disability Services at 781-239-4508 or in Hollister Hall to coordinate reasonable academic accommodations.

TEXT AND CASE MATERIALS:

Retailing Management, 9th edition, by Levy, Weitz, and Grewal, McGraw-Hill/Irwin, 2014.

Students are encouraged to explore the tutorials at www.mhhe.com/levy8e to help prepare for certain assignments and the exams. The tutorials are particularly useful for chapters 6, 12, and 14.

Case packets are available for sale at the Babson Bookstore.

ASSIGNMENTS:

Defining a Retail Strategy—Presentation due Sept 19

Assignment: The purpose of this assignment is to give you an opportunity to get out and examine retailing strategy from an objective, professional, and non-consumer point of view. The assignment is to compare two retailers' strategy as defined on pp. 112-121 of *Retailing Management*.

Choose two stores that sell the same classifications of merchandise, e.g. Ann Taylor and Marshalls. Another alternative would be to choose two departments within different stores as long as they sell the same classifications, e.g. fresh produce at Whole Foods and at BJ's Wholesale Club. You could even choose one department within a department store and one specialty store with the same merchandise classifications, e.g. Brooks Brothers and the men's suit department at J. C. Penney. The important thing is that these two stores/departments cater to two very different market segments.

Prior to going to the stores, you will need to do some background research. When you are in the stores, you can gather additional information through observation and by talking with a manager and fill in the holes with information that you were not able to get prior to the visit.

You will be required to answer the following questions.

1. What are its target markets?
2. What is its retail format? This should include descriptions of:
 - a. merchandise/services
 - b. pricing policy
 - c. advertising and promotion programs
 - d. store design and visual merchandising
 - e. typical locations

f. customer services

3. What are its bases for a sustainable competitive advantage. This doesn't just mean what do they do well. It means, what if anything do they do SO well that it is difficult for competitors to copy? How do they build barriers in the market to prevent the competition from copying easily?

Santa Bears Case (Turn in, no presentation. Does not need to be typed. But if it is a mess, you will get a zero even if the answer is right) due Sept. 24

Handout

1. What was the unit gross margin and total gross margin for the Santa Bears? (Hint: cost of goods sold equals the price paid for the product, plus any additional costs necessary to get the merchandise into inventory and ready for sale, including shipping and handling, but not the cost of carrying the inventory.)
2. What was the actual profit for Santa Bears, which would include the cost of carrying the inventory?

Financial Strategy Presentation--September 26

Compare financial strategies of "your store" and another store that sells similar merchandise categories, but to a very different target market. If yours is a high margin/low turnover store, compare it with a low margin/high turnover store.

Be careful how you choose your stores. Obviously they must be publicly traded or you won't get the information. Also, do not choose retailers with multiple divisions or your numbers will not make any sense. For instance, do not choose Ralph Lauren Polo because it is both a retailer and a manufacturer. Do not choose Marks & Spencer because its department stores will have very different numbers than its food stores. If you are not sure about which stores to choose, shoot me an email.

Obtain data using its annual report that you can get either in the "investor relations" area of its web site or from the Edgar files at www.sec.gov or information at web sites like www.hoovers.com. Calculate the following financial ratios, and then explain from a marketing perspective, why you would expect gross margin percentage, expenses-to-sales ratio, net profit margin, inventory turnover, asset turnover, and return on assets to be different for the two stores. Assess which chain has better overall financial performance. Your grade will be primarily based on your analysis of why these ratios are different.

Location Analysis Presentation--Oct 8

Go to "Your Store."

Assess the site. What type of location is it? Is it a good location in general? Is it good for "your store"? (Use Chapter 7)

Define and analyze its trade area. Specifically, what are the primary, secondary, and tertiary trade areas? What are its boundaries? Why? Do you believe that the population living in the trade area provides the most potential for this store? (Use Chapter 8)

Use this link for GIS information: http://www.esri.com/data/esri_data/ziptapestry

Merchandise Budget Plan, Case 20, p. 563 (Individual assignment, turn in, no presentation)—Oct 24

Handout

Although this is an individual assignment, you can work with people in your group or others in the class in deriving your answer. But if two or more people turn in exactly the same case, everyone will get a zero. You may do the plan by hand using the form on p. 564 in your text or you may prepare the plan using the Excel spreadsheet on the Online Learning Center (www.mhhe.com/levy8e). You will need to prepare some intermediate calculations before inputting your answers onto the spreadsheet. Click on the Merchandise Management module. Click through the exercises until you get to “The Calculation Section.” You can access an Excel-based, six month merchandise budget plan by clicking on the link “merchandise budget.” Plug in the numbers from the case.

On a separate sheet of paper, explain how you determined the sales forecast, percentage of sales per month, and monthly stock-to-sales ratios.

Assortment Planning Presentation—Oct 31

Go to “your store.” If “your store” doesn’t have an Internet store, choose another store for this assignment. Evaluate “your store’s” bricks and mortar assortment. Is it the best assortment for the space and trade area, i.e., are they carrying the “right” depth and breadth? Why or why not? Be as specific as possible. Choose one major merchandise category and compare the store’s assortment with the assortment on the Internet site. How does the depth compare? Should there be items in the store that are currently only on the Internet site? If so, what would you remove from the store to make room for the Internet items?

Zara Case—Nov 14

Be prepared to discuss these Discussion Questions:

1. On what bases has Zara developed a sustainable competitive advantage?
 2. Why is Zara successful globally, while most successful retailers, including apparel retailers, are not able to successfully expand to other countries?
 3. Are these efficiencies sustainable for expansion in the U.S.?
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Mitchells/Richards Case--Nov 19

1. How do the Mitchells work toward keeping the four service gaps closed?

2. Which elements of the retail mix will provide a sustainable competitive advantage? How does Mitchells develop and maintain loyal customers?

Store Layout and Design due Dec 5 and 10

(All groups will present)

Go to “your store” and evaluate the store layout, design, and visual merchandising techniques employed. Explain your answers to the following questions:

1. In general, is the store layout, design and visual merchandising techniques used consistent with the exterior of the store and location?
2. Is the store’s ambiance consistent with the merchandise presented and the customer’s expectations?
3. Does the store look like it needs to be redesigned? Do you think it needs a face lift, update, remodel or renovation?
4. To what extent is the store’s layout, design, and merchandising techniques flexible?
5. Notice the lighting. Does it do a good job in highlighting merchandise, structuring space, capturing a mood, and downplaying unwanted features?
6. Are the fixtures consistent with the merchandise and the overall ambiance of the store? Are they flexible?
7. Evaluate the store’s signage. Do they do an effective job in selling merchandise?
8. Has the retailer used any theatrical effects to help sell merchandise?
9. Does the store layout help draw people through the store?
10. Evaluate the retailer’s use of empty space.
11. Has the retailer taken advantage of the opportunity to sell merchandise in feature areas?
12. Does the store make creative use of wall space?
13. What type of layout does the store use? Is it appropriate for the type of store? Would another type layout be better?
14. Ask the store manager how the profitability of space is evaluated; for example, profit per square foot. Is there a better approach?
15. Ask the store manager how space is assigned to merchandise. Critically evaluate the answer.
16. Ask the store manager if plan-o-grams are used. If so, try to determine what factors are considered when putting together a plan-o-gram.
17. Has the retailer employed any techniques for achieving greater space productivity such as using the “cube”, down-sizing gondolas and racks, and minimizing non-selling space?
18. Are departments in the most appropriate locations? Would you move any departments?
19. What method(s) has the retailer used for organizing merchandise? Is this the “best” way? Suggest appropriate changes.

SCHEDULE

Date	Class Activity	Reading Assignment	Points
5-Sep	Class Introduction	Chapter 1	
10-Sep	Strategy Discussion	Chapter 5	
12-Sep	Trang Connolly (TJX) Off-price retailing	Chapter 2	
17-Sep	Financial Strategy Discussion	Chapter 6	
19-Sep	Strategy Presentation (all groups)		75
24-Sep	Financial Strategy Discussion (continued) (Santa Bears Case)		40
26-Sep	Financial Strategy Presentation (all groups)		75
1-Oct	Location Analysis Discussion	Chapters 7, 8	
3-Oct	Location Analysis Discussion Continued		
8-Oct	Location Analysis Presentations (all Groups)		75
10-Oct	Exam		200
15-Oct	Merchandise Budget Planning	Chapter 12 & Appendix	
17-Oct	Merchandise Budget Planning (continued)	Chapter 12	
18-Oct	Talbots Distribution Center Tour 9 AM to Noon		
22-Oct	Staple goods buying systems/open-to-buy	Chapter 12	
24-Oct	Assortment Planning/merchandise budget planning case due	Chapter 13	50
29-Oct	Customer Relationship Management (CRM)	Chapter 11	
31-Oct	Assortment planning presentations (All Groups)		75
5-Nov	Pricing	Chapter 14	
7-Nov	Pricing continued		
12-Nov	customer service/social media/merchandise problems due	Chapters 15 and 18, and "Social and Mobile Media" handout	20
14-Nov	Zara /customer service/pricing problems due	Chapter 10, 18 "The Service Edge in the Retail Marketplace" handout	20

19-Nov	Mitchell's/Richards		
21-Nov	no class in lieu of DC tour		
Nov 26-28	Thanksgiving Break--Go Shopping		
3-Dec	Exam 2		200
5-Dec	Store Layout Design and Visual Merchandising Presentations (all groups)	Chapter 17	75
10-Dec	Store Layout Design and Visual Merchandising Presentations (continued)		