

**UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL
MARKETING DEPARTMENT**

**MARKETING 225 – PRINCIPLES OF RETAILING
FALL 2007 – WEDNESDAY 3:00PM – 6:00PM; JMHH F45**

William S. Cody
Lecturer, Marketing Department
Chief Talent Officer
Urban Outfitters, Inc.
5000 South Broad Street, Building 12
Philadelphia, PA 19112-1495

email: bcody@urbanout.com
Telephone: (215) 454-4100
Office hours by appointment

OVERVIEW

This course provides an interdisciplinary overview of the retailing industry. Retailing represents a significant portion of the U.S. and world economies – in the United States alone, retailers employ over 23 million people and exceed \$3.5 trillion in annual sales. Over the past thirty years, few industries have undergone the level of change that retailing has. By anticipating and reacting to changes in consumer shopping behavior, competitive economics and technological innovation, ‘upstart’ retailers such as Wal-Mart and Best Buy sit at the top of their industries, while former ‘icons’ of retail’s past are relegated to history books and nostalgia items on eBay.

The primary focus of this course will be on the customer-facing activities of retailers, including assortment planning, private-label development and the management of in-store operations, and the back-door activities of forecasting and supply chain management that support customer interaction. In addition, we will explore current issues facing retailers, such as customer relationship management, industry consolidation, and supplier relations. We will also survey topics in finance, operations, information technology, and real estate as they relate to retailing.

Upon completion of the course, you should be able to:

- appreciate the complexities of operating a retail business;
- understand the challenges retailers face in striking a balance between generating profits and pleasing customers, and
- explain what factors are involved with offering the right product, in the right quantities, in the right place, at the right time, at the right price, with the right service.

The course is relevant for students interested in working for retailers or retail-affiliated businesses (e.g., wholesalers or manufacturers), and retail-related functions (e.g., advertising or third-party logistics providers). The topics we will cover provide a firm foundation in many facets of retailing, including merchandising, pricing, sourcing, logistics and site selection. To complement and expand upon these topics, students interested in pursuing further work in retailing should speak with me about the *Secondary Concentration in Retailing* and/or take OPIM 397 – Retail Supply Chain Management, which is usually offered each fall.

COURSE MATERIALS

Coursework consists of reading and case preparation, active participation in class discussion, four short written assignments and a group project.

- **Coursepack:** Contains cases for class discussion and analysis, journal articles from academic and business publications, and selected newspaper/magazine articles highlighting relevant retail topics.
- **Optional Text:** Retailing Management, Michael Levy and Barton Weitz, 6th Edition, Irwin/McGraw Hill (ISBN 0-07-301978-X). The text is available at various online retailers and two copies will be on reserve at Lippincott Library's reserve desk.

Each class session will have required readings (self explanatory) and some sessions will include optional materials. The optional readings include text chapters and newspaper/magazine articles that provide additional background and context for that session's topic. If you are having difficulty understanding the concepts discussed in the cases or journal articles, the optional material should help.

The optional readings are also a good reference for current industry issues, particularly for students intending to pursue careers in retail or retail-affiliated businesses. For those students interested in keeping up-to-date on current events in the industry, I recommend these three resources:

- Wharton's Jay H. Baker Retailing Initiative maintains a list of links to online industry trade journals at <http://bakerretail.wharton.upenn.edu/links.html>;
- Retail Forward, an industry consultancy, provides various retail newsletters via email. The daily "all retailing" newsletter is very comprehensive; you can enroll for free at: http://www.retailforward.com/Newsletter/sign_up.asp; and
- Women's Wear Daily (WWD), a trade publication covering the apparel and accessories industries, also offers a daily email newsletter at www.wwd.com.

GRADING

Grading will be based on three components:

- | | |
|--------------------------------|---|
| 1) Class Participation (10%) | Class participation is based on the quality of your comments, rather than the quantity of comments during class sessions. |
| 2) Four Assignments (10% each) | The short assignments are listed below. Further details of each will be discussed in class. |
| 3) Final Project (50%) | The final project will be due in class on 10/24. |

Each of the four short assignments represents 10% of your final grade and will be graded on a 0 to 10 scale. Each assignment will be distributed in class one week before the due date and may be done solo or in groups of two.

	DUE DATE
1) Competitive Merchandising	09/19
2) Extreme Value Retailing	09/26
3) Channel Coordination	10/10
4) The Coffee Wars	10/17

FINAL PROJECT

Throughout the course, we will observe that retailers tend to pursue one of three general strategies: Value, Accessibility or Discovery (VAD for short). Some retailers may try to win on rapid transaction processing, or accessibility. Retailers in many classes of trade try to reduce transportation costs through lots of locations and make it easier for shoppers to get in and out of the store than competitors. Examples include Walgreens, Starbucks, and Wawa. Other retailers focus on value through operational efficiency, looking to reduce the total cost of shopping to the bare minimum for the customer. Wal-Mart and Aldi are good examples. Finally other retailers emphasize discovery and entertainment, inviting the customer to explore. Zara, Whole Foods and Urban Outfitters seem to take this approach.

A separate document will be distributed in class with the full details for the project. Here are some general details:

VAD Group Project:

- You need to form a group of three or four members – no exceptions. If you cannot find a group or need to add an additional member(s) to meet the requirement, we will have a “meet and greet” after class on **September 19th**.
- Identify a “wish list” of four retailers your team would like to analyze. This “wish list” is due on **September 26th**, and must include at least one retailer from each general strategy (i.e., one retailer that pursues a value strategy, one that pursues an accessibility strategy and one retailer that pursues a discovery strategy). Since we will be discussing several retailers in depth during the course, you may not include the following companies on your “wish list”:
 - Best Buy ○ Dunkin’ Donuts ○ Target
 - CVS ○ Gap, Inc. ○ Wal-Mart
 - Dollar General ○ Starbucks ○ Wawa
- I will assign each team a retailer from their list, usually your first or second choice. Once your retailer has been assigned, identify 10 levers that the retailer needs to manage particularly closely to successfully delivery against its chosen strategy. A preliminary VAD Matrix and definition of key levers is due on **October 3rd**.
- Visit one or more (the more the better) of the retailer’s store locations. Observe customer shopping and store associate activity. Look carefully at the store environment. Feel free to supplement your observations with photos and video (be sure to obtain permission as your instructor will not post bail). You can also collect shopper questionnaire data to supplement your observations.
- In addition, visit two of this retailer’s direct competitors to benchmark relative performance on the key levers.
- On the basis of your store visit, assess the retailer’s success and failure on the 10 levers you have identified. Call out the choices the retailer makes that support each lever and those that undermine it.
- Predict how the retailer will fare over the next two years on each VAD orientation and offer suggestions on how to improve vis-à-vis their competition.
- Final report due in class on **October 24th**. You will also need to submit an electronic copy on WebCafé. There is no limit to the length of the report, though the key narrative should be no more than 10 pages.
- Final Presentations will be in-class on **October 24th**. Each project team will have 10 minutes to share a summary of their work with the class. A sample PowerPoint presentation will be discussed in class.

EXPECTATIONS AND OBJECTIVES FOR CASE DISCUSSIONS

Case-Based Learning

Case discussions are not “war stories” recounting an historical business situation. They are an important tool in participative learning, where you assume the role of protagonist or manager in the case. Effective case analysis is not easy, but with preparation and practice, case-based learning will improve your ability to:

- identify opportunities;
- define problems;
- gather and interpret relevant data;
- formulate strategies;
- make and implement decisions; and
- work effectively with others.

Preparing the Case

Cases represent a snapshot in time for a particular business issue, so (though history may prove otherwise), there are no “right” or “wrong” answers. You are provided with all the information required to help you, the protagonist, formulate an action plan to address the key issues facing your company. The tools you will use to prepare the case include the case narrative and all exhibits. Class notes and course readings will supplement the case discussion by providing industry context and/or explanation of a technical concept that may be useful to your analysis. Your personal experiences with the particular retailer or industry segment may be helpful, but is not critical to effective analysis.

Case analysis goes beyond just reading the case. You should prepare for a case discussion by:

- identifying the critical issues in the case, using the questions in the syllabus or distributed prior to the class to guide your analysis;
- illustrating your points using case facts, not simply repeating case facts;
- connecting the dots between elements of the case and across topics covered in the course;
- making decisions on critical questions and formulating an action plan for the case protagonist.

Case Discussion

Effective case discussions depend on the active, effective participation of everyone in the class. My role is to orchestrate and lead the discussion, not to lecture the case to the class. Your role is to assume the position of the main protagonist in the case and to think critically about the issues at hand. As you analyze the case and during the class discussion, you should continually ask yourself:

- “what would I do?”
- “why would I do this?”
- “what evidence in the case supports this approach?”

I will assume that everyone in the class knows the case facts, so we will not spend our time repeating them unless they are used to support further analysis. During the discussion, I may call on students at random to contribute and I may ask you to respectfully support, refute or elaborate on a classmate’s position. The better prepared you are for the case discussion, the more we will learn together.

OUTLINE OF CLASS SESSIONS			
CLASS	DATE	TOPIC	READING
1	09/05	Retail Industry Overview	<ul style="list-style-type: none"> ▪ News: “A Bored Shopper’s Lament: Seen a Store, Seen Them All” ▪ News: “Survival of the Fittest in the World of Retail” ▪ Optional (Textbook): Types of Retailers (Chapter 2) ▪ Optional (Textbook): Introduction to the World of Retailing (Chapter 1)
2A	09/12	Wal-Mart Stores, Inc.	<ul style="list-style-type: none"> ▪ Case: Wal-Mart Stores in 2003 ▪ Article: Note on Retail Economics ▪ Article: “Math for Retail Nerds” ▪ News: “Wal-Mart’s Bid to Remake Itself Weighs on Sales” ▪ Optional (Textbook): Financial Strategy (Chapter 6)
2B	09/12	Target Markets & Organization Design	<ul style="list-style-type: none"> ▪ Case: Gap, Inc ▪ Article: “Retailing, the High-Tech Way” ▪ News: “What They Know About You” ▪ Optional (Textbook): Customer Buying Behavior (Chapter 4: p. 111-118) ▪ Optional (Textbook): Human Resource Management (Chapter 9 p.241-251)
3A	09/19	Assortment Planning Assignment #1 Due	<ul style="list-style-type: none"> ▪ Optional (Textbook): Managing Merchandise Assortments (Chapter 12) ▪ Optional (Textbook): Store Layout, Design, and Visual Merchandising (Chapter 18 p.495-510)
3B	09/19	Concept Development	<ul style="list-style-type: none"> ▪ News: “The \$1 Billion Mark, and Growing” ▪ News: “Aiming for Another Hit: Specialty Stores” Flock to Launch New Concepts” ▪ Optional (Textbook): Retail Market Strategy (Chapter 5)
4A	09/26	Product Sourcing and QR Project Team & Retailer “Wish List” Due	<ul style="list-style-type: none"> ▪ News: “Succeeding at Sewing” ▪ News: “At the Crossroads” ▪ News: “Shining Examples: How Three Large and Successful Companies are Using Their Supply Chains to Compete” ▪ Optional (Textbook): Information Systems and Supply Chain Management (Chapter 10 p.268-272, p.276-286) ▪ Optional (Textbook): Buying Merchandise (Chapter 14) ▪ Optional (Textbook): Merchandise Planning Systems (Chapter 13)

OUTLINE OF CLASS SESSIONS			
CLASS	DATE	TOPIC	READING
4B	09/26	Format Evolution Assignment #2 Due	<ul style="list-style-type: none"> ▪ Case: Best Buy Co., Inc.: Customer-Centricity ▪ News: “A Cappuccino with the 2x4’s?” ▪ Optional (Textbook): Customer Relationship Management (Chapter 11)
5A	10/03	Retail Pricing and Promotion VAD Grid and Preliminary Levers Due	<ul style="list-style-type: none"> ▪ Article: “Mind Your Pricing Cues” ▪ Article: “Does Promotional Pricing Grow Future Business?” ▪ News: “Consumer Goods Firms Duel for Shelf Space” ▪ News: “Retailers Try to Train Shoppers to Buy Now” ▪ Optional (Textbook): Retail Pricing (Chapter 15)
5B	10/03	Private Labels	<ul style="list-style-type: none"> ▪ Case: H-E-B Own Brands ▪ News: “Brand Killers; Store Brands Aren't For Losers Anymore” ▪ News: “Saving Private Labels” ▪ News: “Top 10 Groceries Trends: New Food, New Look”
6A	10/10	Channel Coordination Assignment #3 Due	<ul style="list-style-type: none"> ▪ News: “When One Hand Doesn’t ... Know What the Other Hand Is Doing, Customers Notice; And They Aren’t Pleased” ▪ News: “Retailers Go Online for Key Lessons” ▪ News: “Shoppers Who Blend Store, Catalog, Web Spend More”
6B	10/10	Channel Competition	<ul style="list-style-type: none"> ▪ News: “Competition Grows as Brands Lose Places to Hang Their Wares”, ▪ News: “Wal-Mart Ripple Effect Strikes Again: Cutbacks Weigh on Suppliers”
7A	10/17	Customer Experience Assignment #4 Due	<ul style="list-style-type: none"> ▪ Case: Starbucks: Delivering Customer Service ▪ Article: “Creating the Living Brand” ▪ News: “Top 10 Retail Trends: Upscale Experience, Downscale Prices” ▪ News: “Tagged for Growth”
7B	10/17	Competing for the Future	<ul style="list-style-type: none"> ▪ Case: Tesco Plc. ▪ News: “Trouble at Till” ▪ News: “The Staples Turnaround: That Was Easy” ▪ News: “The Categories Have Been Killed”
8A	10/24	Presentations	
8B	10/24	Presentations	