Retail Strategy
Marketing B70.2375, Section 30
Spring 2011 – Thursdays, Feb. 10th – May 5th, 6:00 – 9:00pm

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Classroom: Henry Kaufman Management Center
44 West 4th Street
Room 3-110

Course Overview

Retailing represents over 40% of the U.S. economy and is one of our largest employers. It has been an industry which has incubated hundreds of new concepts which have evolved with the changing wants and needs of the American consumer. Yet, the retail landscape is littered with the names of many prominent retail companies that have been forced out of business or have been forced to merge with others to succeed, most recently Circuit City, Mervyn’s, Talbot’s Men’s and Kid’s, Demo, Sharper Image and Linens n Things. This course will arm students with an understanding of the tools and approaches for evaluating, formulating and implementing successful business strategies for retailers. Specifically it will:

- provide a framework to use in analyzing retailers’ customer and competitive positioning;
- allow students to understand how different retail formats compete for share of wallet and why certain retail concepts perform better than others across different retail segments;
- provide a basic understanding of retail operations and why it is so difficult to implement a winning retail strategy; and
- provide insights into the ways in which Wall Street looks at retailers and how they value different companies.

This course is especially useful for students who are considering a career in retailing, for those students who will be going into the financial sector and be involved with investments in retail companies, and for students who are considering a career in management consulting with a focus on the retailing industry.
Course Materials

Classes will be highly interactive, using several case studies including:

- Zara: Fast Fashion, HBS 9-703-497
- Supply Chain Optimization at Hugo Boss (A), HBS 9-609-029
- Apple Inc. in 2010, HBS 9-710-467

Outside guest speakers will join the class throughout the semester to supplement the course material so students learn how to apply the basic analytical tools that will be introduced throughout the course. Guest speakers will be announced at the beginning of the semester.

We will also use selected chapters from The New Science of Retailing by Marshall Fisher and Ananth Raman, Harvard Business Press. In addition, I would highly recommend that those students who have little or no background in retailing also obtain a copy of Retailing Management by Michael Levy, Barton Weitz, 7th edition, Irwin- McGraw Hill. This is a solid primer in basic retailing principles and I will reference applicable chapters from this text throughout the course syllabus for those who wish to supplement the class reading with this material. Copies of the presentation materials used during the classes and other related readings referenced during each class will be distributed during the course and posted on Blackboard. The basic framework we will use during this course is the Retail Strategy Model that follows:

![Retail Strategy Model Diagram]
Grading

1. **Class participation (20%)** – participation in each class will be evaluated in terms of level of involvement in class discussion, evidence of understanding and insight conveyed and value of your contribution to each session.

2. **Case write-ups (30%)** – you will be required to analyze three cases that will discussed in class and submit a written evaluation of the situations addressing critical questions provided by the course instructor.

3. **Individual analysis of a selected retailer (20%)** – you will be asked to submit a 2-3 page write up containing an evaluation of a retailer you select. You will be required to visit one or two stores and the website of the selected retailer; to define and visit at least two direct competitors; to review publicly available financial and general business information on the selected retailer and then, using the frameworks discussed in class, prepare an evaluation of the selected retailer which addresses the following questions:
   
   a. What type of retailer are they? Who are their core competitors?
   b. How well have they been performing?
   c. Which customer segments are they trying to serve?
   d. What is their core offer – product assortment/services/pricing?
   e. What are their value propositions/key appeals with their targeted customer?
   f. Are they differentiated enough against their core competitors? Why?
   g. What should they be doing to enhance their market position?

4. **Final group project (30%)** - Students will need to organize into groups of six for this project. Any student not in a group by the end of class 6 will be assigned into one by the instructor. Each group must select one retailer which they will be analyzing for their final project and submit that for approval. Once approved, the group will prepare a strategic analysis of the retailer’s business and identify potential growth opportunities. A written deliverable will be submitted including all of the analysis work done and an executive presentation, in power point. Six groups will be selected by the instructor to present their cases during the last class session. There will be a panel of outside experts listening to the final presentations of each group who will provide feedback to the presenters and input to the instructor for the final grading. Final presentations will be evaluated on:
   
   a. Thoroughness of sources of information collected and used for the evaluation
   b. Various elements of the retailer that are evaluated
   c. Level of insight developed from the evaluations
   d. Methods used to determine growth opportunities
   e. How compelling the recommendations are, from the point of view of the outside panel members.
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<th>Class</th>
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<td>Feb. 10th</td>
<td>Overview of retail marketplace</td>
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<td>3</td>
<td>Feb. 24(^{th})</td>
<td>Role of strategy in success/failure of retail concepts</td>
<td>Zara case write-ups due</td>
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<td>Mar. 3(^{rd})</td>
<td>Evaluating retail strategy: positioning factors</td>
<td>Apple case discussion; Guest speaker – Karl Haller, Brooks Bros.</td>
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<td>5</td>
<td>Mar. 10(^{th})</td>
<td>Evaluating retail strategy: alignment of strategy with execution</td>
<td>Individual assignments due</td>
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<td>6</td>
<td>Mar. 24(^{th})</td>
<td>Implementing retail strategy: merchandising (part 1)</td>
<td>Guest speaker – Alex Goldelman, Toys ‘R’ Us</td>
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<td>Implementing retail strategy: merchandising (part 2)</td>
<td>Guest speaker – Marshall Fisher, The Wharton School</td>
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<td>April 7(^{th})</td>
<td>Implementing retail strategy: inventory management</td>
<td>Hugo Boss case study write-ups due; Store field trip scheduled</td>
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<td>April 14(^{th})</td>
<td>Implementing retail strategy: customer experience</td>
<td>Zappos.com case study write ups due; Guest speaker – Celeste Coruzzi, Columbia Business School</td>
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<td>10</td>
<td>April 21(^{st})</td>
<td>Implementing retail strategy: aligning IT with strategy</td>
<td>Guest speaker – Scott Laverty, Borders (or Chris Hendren)</td>
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<td>11</td>
<td>April 28(^{th})</td>
<td>Developing winning retail strategies</td>
<td>Final class projects due; Guest speaker – David Bassuk, AlixPartners</td>
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<td>12</td>
<td>May 5(^{th})</td>
<td>Final class project presentations</td>
<td>Outside panelists – Jennifer Salopek, Former Chairman, Charlotte Russe; Michael Blitzer, Director, Kenneth Cole; Ken Tuchman, Vice Chair, Retail and Consumer M&amp;A, Bank of Montreal</td>
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Description of Class Sessions

Class 1: Overview of the retail marketplace

Introduces the structure of the retail industry including types of retailers, market segments, channels, location alternatives, and international markets. Covers the retail life cycle and SWOT analysis and their role in evaluating a retailer’s performance.


Assignments: Read both Wal*mart cases (Wal-Mart, 2005, HBS 9-705-460 and Wal*Mart Stores, Inc. HBS 9-794-024) and related articles that have been posted on Blackboard. Also get a current understanding of their business and market position and prepare a SWOT analysis on Wal*Mart for use in the next class.

Class 2: Evaluating retail strategy: financial performance

Covers the key financial metrics used to evaluate the health of a retailer as well as internal metrics used by retail executives to monitor the day-to-day business. Introduces the strategic profit model as a tool to use in evaluating performance. Finally, takes a look at how Wall Street looks at retail companies and how it contrasts with other performance considerations.

Guest Speaker: Deborah Weinswig, Managing Director Retailing – Broad lines, Food and Drug Retailing and Home Improvement, Citigroup Capital Markets Inc.


Assignments: Prepare write-up on Zara case and be prepared to discuss in next class, Zara: Fast Fashion, HBS Case 9-703-497.

Class 3: Role of strategy in the success/failure of a retailer

Evaluates several retail companies’ current market positions and performance in order to compare and contrast those that are doing well versus those that are losing share. Introduces various approaches for analyzing retail performance and links them to the strategies of the companies. Also introduces the Retail Strategy Model as the primary tool used throughout the course to evaluate and formulate retail strategy.


Assignments: Zara case write-up due. Prepare analysis of Apple case and be prepared to discuss in next class, Apple Inc. in 2010, HBS 9-710-467.
**Class 4: Evaluating retail strategy: positioning factors**

Introduces industry baseline analysis and covers the strategic positioning variables from the Retail Strategy Model. Uses a case study assigned to introduce the issues around customer segmentation and customer strategy, as well as merchandising strategy, competitive positioning and the identification of key appeals for sustainable differentiation.

*Guest Speaker:* Karl Haller, VP Strategy and Business Development, Brooks Brothers

*Assignments:* Get started on individual assignment due next class.

**Class 5: Evaluating retail strategy: alignment of strategy with execution**

We will cover the retail execution factors from the Retail Strategy Model. Special topics will include assortment strategy, marketing strategy, brand positioning, location strategy and customer experience. We will also cover organizational issues related to strategy alignment, including culture, structure and incentives.


*Assignments:* Individual assignments due. Organize final project groups and select retailer for final project.

**Class 6: Implementing retail strategy: merchandising (part 1)**

Introduces the basic elements of merchandising including mix, classification structure and hierarchy, assortment content and editing assortments, sourcing and suppliers, private label brands and buying.

*Guest Speaker:* Alex Goldelman, VP, Babies ‘R’ Us Business Development


*Assignments:* Final project group names and retailer selected due.
**Class 7: Implementing retail strategy: merchandising (part 2)**

Covers remaining topics in merchandising including, basics vs. fashion/seasonal merchandise, merchandise planning and analysis, pricing and markdowns. Also covers marketing, sales promotion and CRM.

**Guest Speaker:** Marshall Fisher, Professor, The Wharton School


**Assignments:** Prepare write-up on Hugo Boss case and be prepared to discuss in next class. Supply Chain Optimization at Hugo Boss (A), HBS 9-609-029.

**Class 8: Implementing retail strategy: inventory management**

Introduces the subject of inventory management and discusses tradeoffs between lost sales and excess inventory, reserve stock vs. flow through and reorder vs. one-time buy merchandise. Covers GMROI and sell through analysis as the main tools for evaluating inventory performance. Also examines the role and alternative structure of supply chains and logistics in the overall process of balancing inventory including DSD, warehousing and direct to consumer models.


**Class 9: Implementing retail strategy: customer experience**

Looks at the variables that contribute to the overall customer experience with a focus on in store components including store location, design, layout, space allocation, visual merchandising and store level merchandising and services. Also looks at store operational topics including staffing, scheduling and motivating store employees.

**Guest Speaker:** Celeste Coruzzi, Columbia Business School


**Assignments:** Zappos.com case write-up due.
Class 10: Implementing retail strategy: aligning IT with strategy

Covers the role of IT in supporting the strategy and successful execution of a retailing enterprise. Looks at typical retail IT solutions in product development, merchandising, supply chain management, inventory management, store operations, ecommerce and marketing. Examines retail companies who have utilized IT for strategic advantage.

Guest Speaker: Scott Laverty, Borders


Assignments: Final class projects due next class.

Class 11: Developing winning retail strategies

Covers a methodology for formulating strategies for retailers. The approach covers the four phases of development – 1) company mission and objectives, 2) strategic audit – external and internal SWOT analysis, 3) strategy development using the retail strategy model and 4) strategy implementation.

Guest Speaker: David Bassuk, AlixPartners


Assignments: Final class projects due today. Final presenters will be notified before next class.

Class 12: Final class project presentations

Selected final project groups will present the results of their strategic reviews of selected retailers. A panel of outside experts will be present to critique and provide feedback to each of the groups.

Outside Panelists: Jennifer Salopek, Former Chairman, Charlotte Russe Michael Blitzer, Director, Kenneth Cole Ken Tuchman, Vice Chair, Retail and Consumer M&A, Bank of Montreal

Assignments: Selected final group project presentations.