

Case Briefing

Marketing VP:

Retail



The Situation

The Wilson grocery chain is expanding into a new city. The city has three main population centers marked by tall buildings. There are a number of available retail buildings. The president of the Wilson chain wants a single new store setup. The Wilson chain gives their managers a great deal of freedom in operating their stores to meet local market conditions.

Your Role

You have been named Marketing Vice President. You are responsible for all marketing decisions for the new store. These include Place, Product, Price, Promotion and even staffing (People).

Learning Phase

In this phase, you will begin in a 'practice' city and work through the process of opening and running a store. Step-by-step instructions will guide you through evaluating rents and picking a location, surveying customers about their needs, choosing products for your store, laying out your store, setting prices, and choosing among promotion options. You will also learn to read financial statements and sales reports to evaluate your performance and make improvements. Finally, you will look at how to get customer feedback that can help you succeed.

Challenge Phase

Based on what you've discovered in the Learning Phase, you will now take on responsibility for Wilson's new store. You will choose a location, layout the store, price products, book promotions, and even hire staff. You have a full set of financials including an income statement, balance sheets and product specific sales reports. The Wilson chain has given you \$100,000 in cash to try to ensure a good start for the store. Your goal is to meet a specific weekly profit target. At the option of your Professor, you may be able to retry the Challenge Phase multiple times. Only your best grade will count.

About the Simulation

This simulation contains a model of a city. Within that city are thousands of simulated customers. These customers have demographic and psychographic profiles that you can discover through surveys. Based on these profiles, they choose where to shop and what to buy. All the decisions you make determine whether they chose to shop at your store and how much they buy when they are there. Each shelf, product, checkout stand, and employee is individually modeled within the simulator. You can arrange your store to maximize sales, hire employees as needed, and follow the action visually on your screen. If products sell out, you'll be able to see it. You also have access to a full set of standard, double-entry accounting financial statements.

Discussion Questions

What is it about the product (food) that makes it less susceptible than other products to online retailing?

How do the concepts of impulse purchases and complementers map to the online retailing world?

What aspects of the case simulation did you find realistic? What aspects were overly simplified or not realistic?

How did you approach the challenge? Analyze and plan or try actions and adjust? How does this relate to the real world?

Case Simulation Tips & Strategies



Product

- Survey customers to find out what grocery products they buy most. Ask about needs and impulse purchases.
- Use your survey results to set up shelves. Give more space to items with more demand.
- For merchandising, place needs in back and impulse purchases in front of store. The specific preferences of the customers around the location you chose will vary.
- If products are selling out, give those products more shelf space.

Price

- Grocery industry margins are around 20% to 40%.
- Experiment in this range to find the best level for your market.
- Some items can be priced higher due to low elasticity. Click the link to the Elasticity Report in the instructions.
- Some items may need to be priced lower. Again, check the Elasticity Report for highly elastic products.

People

- Be sure to set up at least two check outs. You can add more later if needed.
- Staff based on survey results of shopping times.
- Your store is considered Open anytime you have a cashier working.
- You do NOT need to staff salespeople at this grocery store.
- Add additional cashiers for your last shift to make sure customers can complete shopping.
- Try not to overstaff. Staffing is expensive and will cut into profits.
- Ask customers when they shop to plan your staffing levels.

Place

- Locate your store close to population centers.
- Your trade area (where you will draw customers from) is about 8 blocks in diameter.
- Rents vary greatly. Find an affordable rent.
- Customers in the downtown areas tend to have higher incomes and be less price sensitive.
- Use the icon  and select All Customers to see locations of customers.

Promotion

- All forms of promotion can draw customers. Some forms will be more cost effective in your particular market.
- Survey customers about radio station preferences for use in planning promotions.
- If using email or newspaper promotions, you will need discounts. Discounts of about 30% on regularly priced items will draw customers.
- Much larger discounts will draw customers but lead to losing money on each sale.
- If you sell out of discounted items, customers will accuse you of a "bait-and-switch" and become angry.
- Email can be expensive but if you can build an opt-in list can become free.

Reports & Feedback

- Watch Reports>>>Comments & Msgs closely. Customer feedback is critical.
- You will not make all customers happy all the time, but do address large numbers of complaints.
- Use the Income Statement to monitor your profitability.
- To increase profits, you must increase revenues or decrease expenses.
- Experiment with all your decision options to understand the impacts.
- Run the simulation for at least one full week (Sunday to Sunday) to measure impacts.