

understanding BUSINESS

Tenth Edition



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From the News to the Classroom

2014 September

Dear Professor,

This issue of the Understanding Business newsletter begins with a look at the new face of foreign aid: big corporations. With many governments reluctant to enter the global funding fray, companies like Coca-Cola are picking up the slack and receiving more for their efforts than just PR. From there, we turn our focus to the ever-changing world of retail. While Walmart struggles to establish a presence in Brazil, TJ Maxx thrives at home thanks to its unique business model. But the tale of poor Staples is perhaps the most interesting story thanks to an ill-conceived penny sale and a positively gluttonous cadre of government clients. We've also included a video that shows the conclusion of the Market Basket saga, an extraordinary event with a thankfully happy ending.

And as always, this issue contains additional videos and abstracts of recent, relevant articles with accompanying critical thinking questions. Of course, we also include a PowerPoint file integrating these elements into an easy to use package.

In case you missed any of the previous newsletters, you can find them on the textbook's Web site at www.mhhe.com/ub10e. If you have suggestions for future issues, please let us know by forwarding your comments to: Michael.Gedatus@mheducation.com. You can also connect with Understanding Business on Facebook by clicking [here](#). Remember, we always enjoy hearing from you, so please let us know if there are any topics you would like for us to include in future newsletters.

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Videos

Market Basket: A Win for Employees

From CNN Money

The video can be seen here:

<http://cnmmon.ie/1qCwxL7>

This follow-up to last month's video and abstract about Market Basket documents the triumphant return of CEO Arthur T. Demoulas to his company.

Questions:

1. What did employee and customers teach executives at Market Basket?

Employees and customers of Market Basket taught company executives that, in order for a company to be successful, it must listen to all of its stakeholders. Company executives obviously believed that the boycotts and protests over the firing of popular CEO Arthur T. Demoulas would not last, and that stakeholders would eventually accept the change and return to the stores. That didn't happen.

2. What challenges does the returning CEO face as he retakes control?

Arthur T. and his team must face the reality that during the boycott and protests Market Basket customers shopped at competitors' stores. Therefore, the CEO needs to ensure that the high quality service and products, as well as employee satisfaction, must be continued to the nth degree. If not, the company could suffer the loss of what were once its loyal customers.

See the Startup Developed in Prison

From CNN Money

The video can be seen here:

<http://youtu.be/zXTap-mzcT8>

An entrepreneurial incubator in California's Folsom Prison teaches inmates business skills that can help them adjust to life after release.

Questions:

1. Why are programs like the Last Mile important good for society?

As the video suggests, prisoners, especially those who are soon to be released, need a sense of hope that they will survive in society after their incarceration. The Last Mile helps them think of the possibility of success after prison if they acquire the skills needed in the outside world.

2. What message did inmate Trevor Bird offer that's important to remember?

Inmate Trevor Bird stated, "Technology levels the playing field." He expressed his opinion that he believed he did not have a chance to succeed due to his incarceration. However, now he has hope. He professed an important message for all prospective entrepreneurs that's important to remember, "If you have an idea and passion, there's a way to find your dream."

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Article Abstracts Index

Each abstract contains a concise summary of a relevant news article from recent publications, followed by a set of critical-thinking questions and possible answers. For more detail on any of these subjects, we've included a hyperlink to the original article at the top of each abstract.

- **Corporations Fill Foreign Aid Void** (Chapter 3, 4, 10, 15, 16)
- **Brazilian Shop-Hopping Stalls Walmart's Growth** (Chapter 3, 13, 14, 15, 16)
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Corporations Fill Foreign Aid Void

Use with Chapters 3, 4, 10, 15 and 16

Nina Easton, "As Foreign Aid Dries Up, Companies Take the Lead in global Development," *Fortune*, July 24, 2014. Photo courtesy of Gerard Stolk.

<http://fortune.com/2014/07/24/companies-lead-global-development/>



In the mid-20th century, many struggling nations around the world relied heavily on outside governments for assistance. Foreign aid of this nature accounted for 71 percent of all worldwide capital flows as recently as 1960. As the years progressed, however, governments largely removed themselves from the global development game. Today, foreign aid accounts for less than 1 percent of the U.S. budget and only 9 percent of current capital flows.

To fill this void, non-governmental organizations and groups such as the Bill and Melinda Gates Foundation have stepped up their efforts to improve the developing world. But charities like these aren't the only ones looking to lend a hand. Increasingly, multinational corporations are coming up with their own large-scale foreign aid plans. For instance, three years ago Coca-Cola launched its 5by20 initiative, pledging to teach business skills to 5 million poor women by 2020. Since then, the soft drink giant has helped more than 500,000 women in 44 countries start their own small businesses. These include convenience store owners in the Philippines, mango farmers in Kenya, and impoverished Mexican villagers with bottle recycling operations.

It's no coincidence that Coca-Cola has established presences in these seemingly far-flung places. The 5by20 program specifically assists those who have a stake in the company's global value chain. This includes fruit growers, recyclers, and even women who repurpose Coca-Cola merchandise to make their own crafts. By training and financing these people, the company earns a ton of brand loyalty while also enjoying positive PR for their philanthropy. Most corporations require this sort of win-win scenario before getting involved in foreign aid, but companies must be careful not to seem like they're solely concerned about their own gain. Approximately 10 percent of all global U.S. firms have serious charitable initiatives that help themselves as much as the poor. In Coca-Cola's case, the company must ensure that the life-changing effects that the 5by20 program can have on participants outweigh the fringe benefits the brand receives.

Questions:

1. Why did Coca Cola become actively involved in global development issues?

Coca Cola sees a win-win situation by involving itself in global assistance issues in the developing world. The company is gaining critical brand loyalty in what may be important markets in the future. It was also obvious to the company that, as governments withdrew aid, someone had to assist these markets.

2. How does Adam Smith's "invisible hand" fit with multinational firms efforts?

Adam Smith's invisible hand theory notes, businesspeople do not go into business intending to help others. Instead, they focus on selfish interests. However, with business success, like an invisible hand, benefits flow down to others. Multinational firms are building their own businesses while helping others grow.

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Brazilian Shop-Hopping Stalls Walmart's Growth

Use with Chapters 3, 13, 14, 15 and 16

Renee Dudley, Christiana Sciaudone, and Jessica Brice, "Why Wal-Mart Hasn't Conquered Brazil," *Bloomberg BusinessWeek*, May 8, 2014. Photo courtesy of Walmart.

<http://buswk.co/1sSKYtp>

Walmart became the largest retail chain in the U.S. by offering customers the same low prices every day. As it expanded globally, however, the company found out that not every culture responds to this pricing strategy. For instance, Walmart has had a hard time winning over Brazilian consumers despite opening 550 stores in nearly 200 cities. That's because most people in the large South American nation are happy to hunt for the best deals at a variety of stores rather than choose one convenient location.



The shopping habits of Ivanira de Pontes Duarte, a Brazilian maid, tell a typical story. A small shop along her commute to work has the best deals on olive oil, and on Wednesdays the supermarket chain Extra has a big sale on cleaning supplies. Meanwhile, Duarte's produce comes from a local street fair, where prices are cheap and the merchants are neighbors. In spite of her frequent store hopping, she still hasn't shopped at Walmart. "I've seen their ads on TV, and their prices don't seem that much better than everyone else's," Duarte said. "It's a question of savings. Most Brazilians don't make very much and we need to save where we can."

Although the company says food sales are steady, Walmart's two-decade presence in Brazil has yielded little reward. Other retailers, like Carrefour and Casino of France, set up shop in the country even earlier and caught on quickly to Brazil's preference for deals. Walmart hasn't budged, however, and remains committed to keeping prices low without the aid of showy sales. Experts claim that this strategy assumes that consumers will do all their shopping at Walmart once they enter a store and see the value they can get for their entire basket. "They care more about [promotions] and less about Walmart's one-stop shopping convenience," Harvard Business School professor Thales Teixeira said.

Questions:

1. What seems to be the lesson that Walmart and other retailers need to remember?

As we mention in the text, culture has a tremendous impact on business globally. What works in one country may fail in another. While Americans seem concerned about convenience when shopping (and hence like to gather much of what they need at one store), Brazilians prefer to look for the best deals at a variety of stores.

2. Will Walmart have to change its strategy to succeed in Brazil?

Walmart's "everyday low pricing strategy" has had great success in the U.S and other markets. Maybe it can convince Brazilians that buying all their needs at Walmart is actually cheaper than shopping at several retailers. Good luck to them. Perhaps the company has a "Plan B" that includes introducing sale pricing. We'll have to wait and see, but we don't expect to see Walmart sale circulars in Brazil anytime soon.

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One-Cent Sale Costs Staples Millions

Use with Chapters 1, 13, 14 and 16

Mark Maremont, “When Staples Offers Items for a Penny, New York buys Kleenex by the Pound,” *The Wall Street Journal*, July 23, 2014. Photo courtesy of Mike Mozart.

<http://on.wsj.com/1lxGS4D>



Last year the retail chain Staples signed a contract to become the State of New York’s official office-supplies vendor, which looked like quite a coup at the time. After all, the agreement put Staples in direct contact with city halls, schools, police departments and charities across the state. In fact, the company was so desperate to tap this lucrative market that it pledged to sell a number of products for just

a penny apiece. While this bold promise helped Staples win the contract with the government, the chaos that followed shows how the company bit off far more than it could chew.

Staples thought that sales of non-discounted items would outweigh the penny products. The reality of the situation turned out quite differently. For instance, a Brooklyn charity ordered more than 240,000 boxes of tissues and 48,000 rolls of paper towels. One school district paid just \$254.69 for nearly \$600,000 worth of merchandise. “When an invoice comes in for a truckload that says \$27, you’re scratching your head in disbelief,” said Ken Morton, the purchasing manager for the school district. Despite the outrageous orders, Staples continued to fulfill them without question for a few months. All told, the company received \$9,300 for delivering goods with a list-price value of \$22.3 million.

In order to win the big government contract, Staples ended up making promises it couldn’t afford to keep. The company agreed to charge one cent for a whopping 219 items, including a cheap 12-pack of chalk normally priced at \$1.01. But among the modest markdowns were big bargains like a \$1,100 paper shredder and a high-capacity flash memory drive valued at \$249.99. Many government departments and charities had no immediate need for these items, but the fire sale prices made them irresistible. Staples received 6,000 orders for the penny paper shredders when it had originally anticipated only 41 prospective customers. In the end, the company delivered 154 penny shredders. It halted the one-cent program after three months and remains in discussions with the State of New York to resolve this issue. Those who received their penny items are allowed to keep them, although one person who now owns a storage unit full of Dust-Off spray cans and 24,000 pens may have some regrets.

Questions:

1. What was the major fault in Staples penny products program?

Staples badly underestimated the customer demand for the one-cent products. The company presumed that buyers would only purchase items for which they had a direct need. Instead, given the incredible discount, many bought items (sometimes in huge numbers) to stockpile for the future.

2. What do companies hope to gain when they offer discounted items?

Specifically, companies hope that the discounted items will help to drive traffic to other, more profitable products. Like supermarkets use loss leaders weekly to attract customers to their stores, retailers like Staples have special deals they hope will be purchased along with more profitable store items.

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TJ Maxx Defies the Odds with Sustained Success

Use with Chapters 1, 9, 14 and 15

Beth Kowitt, “Is T.J. Maxx the Best Retail Store in the Land?” *Fortune*, July 24, 2014. Photo courtesy of Steve and Sara Emry.

<http://fortune.com/2014/07/24/t-j-maxx-the-best-retail-store/>

Although nothing in business is a sure thing, few industries are more volatile than apparel retail. In this unpredictable world, it can be almost impossible to guarantee success for a brand. For instance, Target and Kmart spent years dueling for dominance until the former won out with its more upscale marketing. However, long-term prosperity grants no safety net. Abercrombie & Fitch ruled the preppy clothing market for more than a decade, but now sales are falling as younger consumers view the brand as passé.



However, there's one company that has been able to keep its ship steady amid retail's choppy waters. Over the course of nearly four decades, TJX Companies has only seen one year of negative growth. As the owner of such bargain brands as T.J. Maxx, Marshalls and Homegoods, the Massachusetts-based business earned \$2.1 billion in profits last year. TJX's stock price has been a boon for shareholders, too: earnings-per-share growth has increased for 18 consecutive years while stock prices have ballooned by 200 percent over the past six years. Experts call the company the “the most consistent, most powerful apparel retailer in the United States,” a bold title that TJX has justifiably earned thanks to a sure-fire selling strategy.

First of all, the company doesn't like to rely on sales or other gimmicky promotions. Instead, TJX focuses on quick turnover of its products so that more stuff can be trucked in to replace it. While other retailers take an average of 85 days to get rid of its inventory, TJX can move through a shipment in just 55 days. Some items receive a markdown if they don't fly off the shelves, but the company doesn't take much effort to advertise such discounts. That's because TJX wants its customers to believe that they're getting the lowest possible price for every product anytime they walk into the store. And sometimes people can find super low prices on unexpected items, such as designer dresses or accessories. That's because TJX specifically plants high-end stuff among the standard stock so that people feel like they're uncovering treasures. Along with its savvy buying strategy and dependable contacts, TJX could remain retail's dominant entity for years to come.

Questions:

1. What's the reason for the long-term success of TJX Companies?

The one thing that seems to be the foundation for the success of TJX Companies is consistency. The company has maintained its strategy of low prices and quality merchandise. Consumers feel they are getting a good value at a fair price and continue to be attracted by the wide range of merchandise that's available.

2. Does including designer products strengthen consumer's image of the company?

Evidently, consumers enjoy the search for the hidden treasures that TJX includes in its everyday merchandise. It's also evident that finding high-end designer products among the firm's everyday products reinforces the consumer image of TJX as a store where you find quality products at a good price.

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Eliminating Waste Through Reselling

Use with Chapter 1, 6 and Bonus B

Katy Steinmetz, “Recycle, Reuse, Reprofit,” *Time*, July 24, 2014; Jenna Schnuer, “Happily Ever After,” *Entrepreneur*, January 2014. *Photo courtesy of Tom Magliery.*

<http://ti.me/1lIAhuj> ; <http://bit.ly/1rrb9lo>



Although many Americans make sure to recycle their plastic bottles and aluminum cans, they're less careful to do so with their more functional possessions. Ninety percent of the nation's mobile devices get thrown in the trash rather than the recycling bin. The gadgets are joined there by 40 percent of the food produced each year in the U.S., along with the 12 million tons of textiles that get tossed annually.

Over the last few years, a number of new companies have launched in order to reduce this staggering amount of waste while simultaneously earning a profit. For instance, the San Francisco startup Twice buys old wearable clothes and lists them on their website to be purchased at a fraction of the original price. Last year, the company resold more than 400 tons of old clothes. Other

startups, such as Silicon Valley's Yerdle, are more unorthodox. People can visit the company's website and trade items that they would have otherwise thrown out. From DVDs to spice racks to golf clubs, anything can be exchanged on Yerdle as long as you can find someone willing to take it. In fact, every item a user gives away successfully earns them a credit that can be spent on another person's stuff.

For many consumers, these startups are simpler alternatives to older sites like eBay. After all, auctioning something on the site requires setting a fair price, describing the item in detail, connecting your bank account, and waiting weeks for payment. Meanwhile, the new electronics resale site FOBO holds auctions that last just 97 minutes and even suggests starting prices. When entrepreneur Josh Opperman needed to return an engagement ring after his relationship went south, he quickly learned that most jewelers don't give refunds and pawnshops would only give him 35 percent of the ring's value. That's when he got the idea for I Do Now I Don't, an online marketplace for people to sell their engagement rings. Since launching in 2007, the site now brings in nearly \$3 million in revenue annually.

Questions:

1. What's the value of recycling products?

One obvious value of recycling products is the benefit to the environment by reducing the number of items disposed in landfills. Also, selling products for reuse provides opportunities for new businesses to grow. Consumers benefit by being able to purchase used products they may not be able to afford to purchase new.

2. Will the government tax sites such as Yerdle that trades rather than sells items?

If Yerdle is a strict bartering site, generally the government will not be able to tax transactions between consumers. Bartering is one of the oldest forms of business in history and in some areas has regained its popularity.

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The Gradual Return of American Manufacturing

Use with Chapters 3, 4, 9 and 15

Timothy Appel, “The Hard Business of Restarting U.S. Factories,” *The Wall Street Journal*, July 17, 2014. *Photo courtesy of The Automotivated Cyclist.*

<http://online.wsj.com/articles/the-hard-business-of-restarting-u-s-factories-1405629782>

In the 1950s, more than 150 television manufacturers called the U.S. home. Today, not even component parts for TVs are produced on American soil. Still, that hasn't stopped Wal-Mart from slapping “Assembled in the USA” stickers onto many flat screen TVs stocked in its stores. That's because the company buys the televisions from South Carolina's Element Electronics Corporation, which imports all their items from China.



That doesn't mean Element is simply a middleman operation though. TVs that arrive at the company's Winnsboro plant are first placed on a conveyor belt to check for scratches and other defects. Further down the line, workers install motherboards and perform several mechanical tests. When Element's work is done, the TVs are repackaged, stamped, and sent off to Wal-Mart stores. The mega-retailer's relationships with companies like Element lie at the heart of its commitment to produce \$250 billion worth of goods domestically over the next decade. But as the South Carolina manufacturer shows, revitalizing an entire industry can't be done overnight. After all, even the motherboards installed by Element employees are originally made in China.

That's because the U.S. lacks a blue-collar workforce who can perform complicated electrical work, something that China has in abundance. However, companies like Element and Wal-Mart hope to reverse this trend by gradually reintroducing elements of production back to America. For instance, Element expects to receive even more assembly work once the company has established itself better with Chinese suppliers. In fact, within two years Element's factory will have the equipment to install glass panels onto flat screen TVs. These parts account for 65 percent of the television's cost, so Element will need to prove that it can “backlight” TVs effectively before earning the trust of outside manufacturers. Meanwhile, Wal-Mart is working to bring more assembly and production tasks to American factories with extra capacity. For manufacturers, the retailer's commitment to buy what they produce is incentive enough to invest in larger capabilities, such as Element's backlighting expansion.

Questions:

1. Is putting “Assembled in the USA” ethical if products are mainly produced elsewhere?

It's questionable to say that Element Electronics assembles TVs in the U.S. when most of the product is actually made in China. Legally, Wal-Mart can make such a claim; and since the company is committed to increasing production of the item in the U.S., we'll let it go.

2. Can the U.S. increase the number of qualified production workers?

If job seekers believe there's an opportunity for production workers in the U.S., they may consider pursuing such careers. For many years, however, the word was that companies would continue to outsource production to countries such as China, and opportunities in production-based jobs would dry up.

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Small-Scale Farming Gets Big in New England

Use with Chapters 1 and 6

Jennifer McDermott, “Now Go-to Career for New England’s Young: Farming,” *Associated Press*, August 22, 2014. Photo courtesy of *TheBittenWord.com*.

<http://bit.ly/1up71lh>



In most regions in the U.S., farms are getting larger while the number of actual farmers operating them is getting smaller. According to the U.S. Department of Agriculture, the number of American farms decreased by 95,000 from 2007 to 2012. That’s not the case in New England, however. Across the same five-year period, the Northeast saw a five percent increase to nearly 35,000 farms.

The local food movement has spurred this renewed growth in small scale farming in New England. Many of the region’s new farms span less than 50 acres as agricultural entrepreneurs steer clear of

industrial methods. Instead, the focus is on cultivating small crops that can be sold at local markets and produce stands. Young people have been especially drawn to this empowering and sustainable line of work. For instance, Bill Braun left his office job to start Ivory Silo farm in Massachusetts after feeling compelled to act against the industrialization of food. Given the region’s small size, new farmers like Braun can easily connect with consumers looking for fresh, local produce.

Organic food grown on boutique farms doesn’t come cheap, however. Produce from another Massachusetts grower called Scratch Farm sells its eggplant for \$3 per pound, higher than the average rate of \$2 a pound charged by Whole Foods. But for many New Englanders, supporting a local farm is worth the extra food cost. “We already know a great deal about farmers simply through our proximity,” said Jesse Rye of Farm Fresh Rhode Island. “These are our neighbors.” Furthermore, small-scale farming is tough to dismiss as a passing fad given the sheer number of young people who have been drawn to agriculture. In fact, Northeastern colleges have seen a 43 percent increase in the average number of agriculture students from 2004 to 2012.

Questions:

1. Will the trend toward buying locally grown products continue?

Evidently, many of the young people in New England believe that it will. We expect there will also be a market for locally produced products across the rest of the United States as well. As consumers become more health conscious, especially toward the food they eat, an established base for local products seems certain.

2. How sensitive are customers to food prices?

Food is an essential item and is generally less sensitive to price than luxury items or discretionary products. However, consumers will generally pay close attention to price if substitute products are available and more affordable. Customers would have to perceive an added value to organic produce in order to purchase it rather than cheaper non-organic food.

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America's Demand for Ice Cream Cools

Use with Chapter 13, 14 and 15

Anne VanderMey, "Do We Still Scream For Ice Cream?" *Fortune*, July 24, 2014. Photo courtesy of David Berkowitz.

<http://fortune.com/2014/07/24/ice-cream-sales/>

Although summer is fading, ice cream season remains in full swing for millions of sweet-toothed Americans. Last year consumers in the U.S. bought \$13.7 billion worth of the dessert, an enormous number that doesn't even include restaurant sales. And according to a recent study, 40 percent of Americans will eat ice cream in any given two-week period. Nevertheless, on the whole people consume a lot less of the cold stuff than they did 25 years ago. Back in 1989 Americans ate ice cream 41.3 times per year, now down by 45 percent to 28.5 times.



Recent health conscious food trends have led many consumers to choose frozen yogurt when opting to indulge. At the end of last year, more than 2,500 froyo stores had opened up across the U.S. Meanwhile, sales have increased an average of 21 percent since 2008. One froyo stand called Red Mango launched in 2007 with just two flavors. The company opened up its 300th store this summer.

Soft-serve frozen yogurt has had its time in the sun once before, however. The chain TCBY began expanding across the U.S. in 1981 and reached its peak in the mid-1990s with approximately 2,800 locations. Interest in TCBY's treats waned steadily after that, though, dwindling to just 650 stores today. And even at froyo's height, the dessert could never touch ice cream's overall dominance. In fact, consumer analysts fear that the froyo bubble will soon pop, leading to another TCBY-like meltdown. Experts expect sales to start shrinking as soon as 2019, prompting some companies to expand their brands to other offerings. For instance, Red Mango sells as much juice on an average day as froyo. The outlook for frozen desserts is much sweeter outside the U.S. Brazil, Turkey and especially China have increased their ice cream consumption, contributing to what is now a tasty \$77.3 billion global business.

Questions:

1. What's the likely future for froyo in the United States?

As the abstract states, froyo is unlikely to ever touch ice cream's overall dominance in the market. Nonetheless, given the strong number of Americans committed to living healthier lifestyles and growing concerns over obesity, froyo will have a place in the market well into the future.

2. Why is ice cream's future looking tasty in global markets?

As consumers in emerging markets such as China and Brazil increase their purchasing power, discretionary items like ice cream become more of a consumer staple. Also, there does not seem to be the concerns about obesity in other countries as there is in the United States.

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Oversaturation Leads to Casino Closings

Use with Chapters 4 and Bonus A

Christopher Palmeri, “Local Casinos are a Losing Bet,” *Bloomberg BusinessWeek*, April 3, 2014. Photo courtesy of Judy Baxter.

<http://buswk.co/1lqTJHE>



In 1988, just two states allowed casino gambling. Today, New Jersey and Nevada are joined by more than 35 other states that have legalized casinos. Over the years, local governments across the nation promoted gambling as a way to generate additional tax revenue. Plenty of municipalities bought into the idea, leading to a rush of casino construction throughout the 1990s and 2000s.

Like so many other industries, business was good until the recession hit in 2008. Since then, not only have many consumers not fully recovered from the downturn, but also the rapid expansion of casino gambling has led to an oversaturated market. After

all, with so many casinos located around the country, the lights at many of the nation’s gambling destinations don’t seem so bright anymore. For instance, in 2006 the Northern Mississippi casino industry raked in \$1.2 billion in gaming revenue. By last year, that number had shrunk to \$738 million. Harrah’s closed its casino and resort in the region earlier this summer, putting an estimated 1,300 employees out of work.

Matters are even worse in the once great gambling getaway of Atlantic City, New Jersey. Five of the city’s 11 casinos lost money last year as gambling revenues fell by 44 percent since 2006’s peak. In January the Atlantic Club Casino closed permanently, citing increased competition in the region. Gaming revenue has also dropped for the sixth consecutive month in the Midwest’s largest gambling states, Indiana, Michigan, Illinois and Missouri. According to a manager at one midwestern casino, the region has lost touch with a key demographic: women older than 50 years old who bet between \$50 to \$75 per visit. Many of these consumers have been living on tight budgets since the 2008 crash, and plenty of casino operators have missed their presence among the slot machines. As the years progress, more casinos are likely to close due to similar lack of interest from potential gamblers. Only time will tell if having fewer casinos will be enough to make casino gambling unique and appealing to consumers once again.

Questions:

1. Why did the recession that started in 2008 hit the casino industry so hard?

Casino gambling is what marketers call a “discretionary” expense. If consumers have extra cash available after paying for non-discretionary items like rent, car payments, food, etc., they are often willing to spend money for entertainment such as casinos. As money gets tight, however, slot machines are an unnecessary luxury.

2. Have states suffered along with casinos due to the lack of gamblers?

Many states felt that casino gambling was the way to solve all their money woes. They are now suffering as tax revenues from casinos continue to dwindle. Like any other business, as the market became oversaturated and the number of gamblers did not grow along with the number of casinos, the market contracted.

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Bathroom Beacons Let You Know Where to Go

Use with Chapters 1, 5, 6 and 14

Andrew Bender, “The New Technology that Could Cut Public Restroom Wait Times by 50 Percent,” *Forbes*, June 30, 2014. *Photo courtesy of Tooshlights.*

<http://onforb.es/1pFrquy>

Nobody likes to wait in line for the bathroom, but sometimes that’s just the way things are at big, busy venues like stadiums and airports. Entrepreneur Allen Klevens couldn’t accept this fact of life, however, and set out to fix it with his new product Tooshlights. These small beacons rest at the top of a bathroom stall door and glow red if the space is occupied or green if it’s free. Klevens hopes this clever stop-and-go system will drastically speed up the average public restroom visit by as much as 50 percent.

He got the idea from a Los Angeles parking garage that used the same green-and-red light technique to alert drivers to open spaces. But as Klevens cheekily points out, at Tooshlight, “We don’t park cars. We park, um, other things.” Soon after launching, the company landed its first big client: the Hollywood Bowl, L.A.’s iconic 17,000-seat open-air concert hall. Klevens claims that lines at the venue’s women’s restrooms stretch far out the door, with waits often exceeding the 20-minute intermissions. Despite the long queues, the bathrooms usually have open stalls that go unnoticed by patrons who don’t see them among the wall of identical closed doors.



Although the lights are only operating in one of the Bowl’s restrooms, patrons are already raving about the timesaving lamps. What’s more, Tooshlight-enabled stalls also eliminate such awkward interactions like knocking or peaking to see if a space is occupied. And though the Bowl is Klevens’ biggest client so far, his opportunities for growth are limitless at this stage. He is currently working with venture capitalists to launch a second generation of Tooshlights in select NBA, NHL and NFL stadiums within a few years. Future iterations of the lights are being designed to perform other functions, too, such as flashing when a team scores or if intermission is about to end. By year’s end, Tooshlights will be advising restroom patrons in more than 2,000 stalls across the country.

Questions:

1. What key marketing principle helps companies like Tooshlights grow?

The most basic and simplest of marketing principles states that entrepreneurs “find a need and fill it.” Entrepreneur Allen Klevens seems to have done exactly that by helping solve what has been a problem for decades in restrooms around the country.

2. Can Tooshlights prevent competitors from entering its market?

We suspect that Klevens has a patent for his product that could prevent competitors from coming into the market. However, given the simple nature of the product it seems possible that competitors may avoid patent infringements by simple adaptations of his idea. Guess he better close the door on stadium restroom sales before competitors line up to join him.

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PowerPoint Preview

The PowerPoint slide file that accompanies this newsletter contains approximately 25 slides covering the cutting edge topics discussed in the article abstracts. Each article abstract is supported with two slides:

1. A slide summarizing the major points in the article
2. A slide containing critical thinking questions about the article. Possible answers are included in the notes section of the PPT.

The slides can be used selectively by dropping them into your existing class PowerPoint.

Some of the slides contain hyperlinks to corresponding Web sites for videos, companies, products, or other relevant resources.

eHarmony Gets in the Hiring Game

- Although global i
volunta
- The da
to impr
a hiring
method
- eHarmony
traits and
culture

WHAT DO YOU THINK?

- What appears to be the strength eHarmony's brings to the job search process?
- Why is it important for companies to make the right decision in hiring?




Photo courtesy of Matt Wotcher

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