Newsletter for Instructors

January
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COMMENTS? CONTACT US

This newsletter provides teaching tips and summarizes article abstracts for case discussions for the following topics:

- Do Retailers Need Help Managing Their Online Reviews? **(Chapters 3 and 4)**
- Indian Startups View to Win E-Commerce Battle **(Chapter 10)**
- Google Tool Offers Local Insights for Merchants **(Chapter 13)**
- Luxury Perfume Makers Turn to Wal-Mart, Target **(Chapters 13)**
- Macy's Has a Master Plan to Capture the Most Difficult Customers **(Chapter 5)**
- Will Sam's New Plan Lead to Sustainable Growth? **(Chapters 2 and 5)**
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- Omnichannel Comes of Age with New Index **(Chapters 3)**
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http://warrington.ufl.edu/centers/retailcenter/research/publications.asp

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Teaching Tips

Additional Material for Teaching Retail Classes

A website, part of the University of Florida Miller Center for Retailing Education and Research, provides materials for retail class instructors including:

- Nine syllabi from instructors
- Classroom exercises
- Team projects
- PowerPoint slides
- Copies of this newsletter and previous issues
- List of retail links, cases and videos

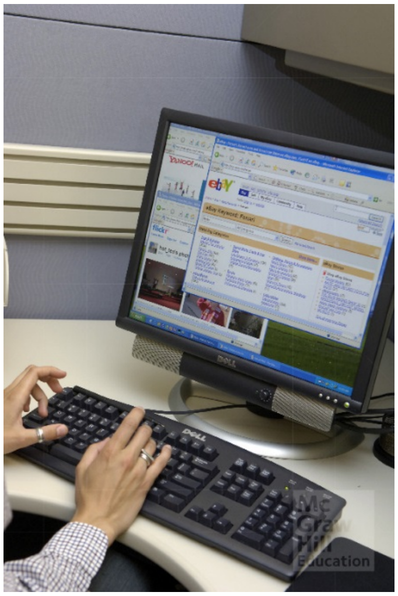
The website is available at **http://warrington.ufl.edu/centers/retailcenter/teach/**

Please consider sharing your materials with other instructors through this website by sending your course syllabi, classroom exercises, projects, teaching types, etc. to **bart.weitz@warrington.ufl.edu** or **mlevy@babson.edu**

Do Retailers Need Help Managing Their Online Reviews?

Tom Ryan, Retail Wire, October 6, 2015

Use with Chapter 3, "Multichannel Retailing," and Chapter 4, "Customer Buying Behavior"



We frequently talk about the many and varied retailing changes induced by the Internet. One development is a little less obvious but still substantial in its impact. That is, the growth of online reviews has created space for an entirely new industry of online review management service providers that help retailers deal with the consumer comments they receive online.

Review sites are common and well known, ranging from dedicated, industry-specific sites to Amazon- and eBay-hosted reviews of sellers on their sites to comments on Yelp that cover virtually every kind of company. Other social media sites also commonly feature informal reviews, such as when a user tweets about a positive or negative experience with a retailer. Because of their vast spread and common usage, consumers increasingly trust these sites as sources of unbiased information. Consumers not only list online reviews as one of their most trusted sources of information but also assert that a company that attracts positive reviews is one that they are more likely to trust.

But keeping up with all these reviews, both explicit and informal, is generally beyond the capacity of a retailer. Especially when they are relatively small in size, retailers already have enough to do, just to establish a social media or online presence. Ensuring that they follow up with every electronic comment and review becomes a burden that could readily overwhelm their resources and energy.

In response, a new industry has entered the scene, one that offers assistance to those overwhelmed retailers. Online review management companies promise that they will keep track of all mentions of the retailer online, which they then summarize in a daily report. They also help retailers request reviews from new customers, and they provide analytics tools so that retailers can search or sort their reviews as needed. Some service providers promise to help retailers establish and manage the review sections on their own websites as well.

With these capabilities, retailers can identify common issues and, ideally, address them online, to show consumers how they are dealing with the problem. They also can organize how the reviews appear on their websites, such that more positive responses might receive special emphasis. It would be unethical to remove negative reviews, but if a retailer can surround a negative comment with dozens of positive responses, that negative information likely has less impact on potential customers.

Discussion Questions:

1. **How can retailers manage the data they gather from online reviews of their stores?**
2. **Do consumers rely on online reviews to make purchase decisions?**

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Indian Startups View to Win E-Commerce Battle

Sean McLain and Newley Purnell, The Wall Street Journal, October 23, 2015

Use with Chapter 10, "Information and Supply Chain Management"

In the expanding e-commerce universe, India appears poised to be the next China, that is, a developing economy with millions of consumers seeking access to varied products to purchase. But India is not China, and neither nation is following the path cut by U.S. e-commerce retailers, so the next steps remain uncertain, both literally and figuratively.

The literal next steps are getting purchases packed and shipped from retailers to customers. Such steps are particularly difficult in India. The nation's infrastructure is notably underdeveloped, featuring poor roads, outdated trucking fleets, insufficient air transport capacity, and insufficient legal protections for shippers. The threat of every monsoon season also means that logistics providers have trouble keeping delivery promises, especially if the buyer expects rapid delivery. As a result, many e-commerce companies spend the equivalent of a whopping 30 percent of their sales on logistics, approximately three times as much as Amazon does in the United States.

Figuratively, e-commerce in India also is uncertain because of the structure adopted by the existing startups. Most of them still rely heavily on venture capital; virtually none of them are profitable on their own. Although nationwide e-tailers such as Flipkart and Snapdeal assert that they plan to be profitable within two to three years, they have not released their plans for doing so. But as these competitors seek to become the first site shoppers visit, they are offering great deals and discounts, along with free shipping to buyers across the country. In many cases, they thus take a loss on each sale, especially if a buyer purchases a single, inexpensive item.

The consumer base also remains something of a question mark. Web penetration is still comparatively slight in India, where nearly 1 million people remain without consistent Internet access. In turn, whereas China's e-commerce market has exploded in the past decade, growing in value from $7 million to $458 million, India's e-commerce is worth only about $4 million today. Part of this difference stems from the individual level. The average Indian consumer's online order is worth the equivalent of about $20. In the United States, each order instead averages around $100.

Discussion Questions:

1. **Why are logistics in India complex and costly?**
2. **What are some of the biggest differences that define e-commerce in India, China, and the United States?**

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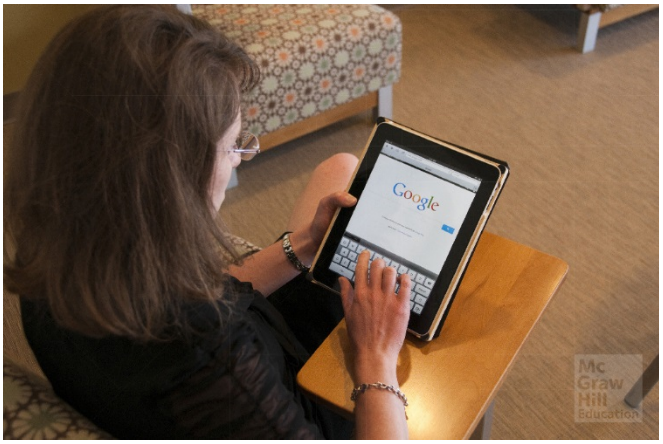
Google Tool Offers Local Insights for Merchants

Tom Ryan, Retail Wire, October 29, 2015

Use with Chapter 13, “Buying Merchandise”

To help retailers determine which products consumers are most interested in at that particular moment and in a specific location, a new service from Google aggregates search data in remarkable detail. The Google Search Insights tool combines the various keywords, keyphrases, and spelling variations that reflect the ways consumers might search for certain products, then combines these data into heat maps that represent local demand.



For example, consumers in Berkeley, Calif., searching for paraphernalia related to the new movie might search for “Star Wars,” “Star Wars: The Force Awakens,” “starwars,” or some other variation. Google Search Insights aggregates all these millions of searches, then shows that people in Berkeley are way more interested in Star Wars than in Minions, whereas online shoppers in Madison, Wisc., are focusing their searches on the little yellow Minions rather than on Jedi knights.

In addition to the location, Google can track the popularity of the searches over time and highlight that virtually everyone, everywhere started searching more for Star Wars in the immediate aftermath of the release of the first trailer for The Force Awakens.

With this location- and time-specific information, retailers can rapidly and appropriately adjust their marketing, supply, and promotions to appeal to what customers want, immediately and locally. In particular, Google links retailers using its Search Insights users to its AdWords service, such that they can initiate a new search advertising campaign to respond to emerging demand.

Although Google already offered a version of these analytics, with its Trends service, the new tool provides increased geographic detail and organizes the data according to keywords, rather than products. Furthermore, Search Insights provides information for retailers about whether customers are searching mainly for the pertinent keywords on their mobile devices or through personal computers.

Discussion Question:

1. **How can retailers use Google Shopping Insights to improve their merchandise assortment allocation to stores?**

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Luxury Perfume Makers Turn to Wal-Mart, Target

Serena Ng, The Wall Street Journal, September 26, 2015

Use with Chapter 13, "Buying Merchandise"

For many consumers who would never support illegal counterfeiting or unethical black markets, finding a great deal on a high-end perfume at their local Walmart or Target store is just an exciting score, without any ethical implications. But perfume and cologne producers emphasize that the grey markets that lead to the availability of luxury brands on discount store shelves require some ethical considerations.

Designer fragrance suppliers in the United States sell their brands, like Davidoff, Dolce & Gabbana, or Calvin Klein perfumes, directly to department stores and other high-end retailers. They do not sell to Walmart, CVS, or Target. However, in Europe and Asia, most suppliers sell their wares to distributors and wholesalers, which then supply retail networks, including small perfumeries that tend to be more popular in Europe.

When these distributors and wholesalers cannot move all of the product they receive from the perfume suppliers, they are lured by the promise of the profits they can earn by selling the fragrances to mass retailers in the United States. Thus the perfumes go from U.S. suppliers to international distributors, then back to U.S. mass merchandisers before reaching U.S. consumers. Still, the pricing system generally allows the prices for these products to remain lower than the prices charged by department stores and perfumeries for the luxury brands.

The practice is not illegal, but it does constitute a grey market—that is, a market that falls outside the intended supply chain established by the supplier. The retailers vigorously assert that they have done nothing wrong in procuring the products, and they enjoy the nice bump in sales they can earn from selling a bottle of Hugo Boss perfume for something like $30—less than it would cost at Bloomingdale's, but a high ticket item for a discount retailer.

For the brands though, the grey market is far more threatening. In particular, when shoppers see a famous luxury brand for sale at Target or Walmart, they may start to perceive the brand as common or conventional, rather than high-end or premium. Such perceptions undercut the pricing structure that luxury brands work so hard to cultivate, in which their limited availability helps support their higher prices.

Accordingly, the brands and their owners increasingly are seeking to shrink or eliminate the grey markets for their products. For example, Procter & Gamble, which owns the rights to Hugo Boss, Gucci, and Dolce & Gabbana perfumes, has threatened to stop selling to distributors that turn around and provide the fragrances they receive to unauthorized retailers. Davidoff perfumes even sued CVS to stop it from selling grey market versions of its Cool Water perfumes in tampered packaging.

Discussion Questions:

1. **How do luxury perfumes end up in stores like Walmart and Target?**
2. **Are the premium perfume brands found at Walmart and Target representative of counterfeit, gray market, or black market goods? Justify your answer.**
3. **Who benefits from this stocking situation? Who loses? Consider the manufacturers, wholesaler/distributors, retailers, and consumers.**

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Macy’s Has a Master Plan to Capture the Most Difficult Customers

Marina Nazario, Business Insider, October 3, 2015

Use with Chapter 5, “Retail Market Strategy”

Faced with some surprising sales declines and threats to its status as the leading department store brand, Macy’s has determined that the best strategy is to pursue those elusive young shoppers known as Millennials. Accordingly, it has implemented a $400 million renovation effort for its flagship New York City store, testing out various options that might attract more of the market of shoppers between the ages of 18 and 35 years.

In that flagship store, the basement level is newly designated “One Below,” and it offers a notably different shopping experience. In addition to merchandise designed to appeal to Millennials, it provides services such as blow drying stations, jean embroidering, and watch engraving. Shoppers can use a 3D printer to create their own custom jewelry, and a touchscreen wall allows them to take high-quality selfies.

These tests, if successful, are likely to spread to other locations as well. In the meantime, Macy’s is opening more off-price stores, seemingly following the successful lead of Nordstrom with its Nordstrom Rack stores.

These moves reflect the conventional wisdom about what Millennials want. In particular, studies show that these young consumers tend to devote their spending more to personal or digital services than to apparel. They also suffer higher levels of debt, mostly due to student loans, and earn less on average than previous generations. As a result, they generally seek lower priced options for their fashion choices.

This preference puts them in direct contrast with the previous big cohort of shoppers, namely, the Baby Boomers. The consumers in this age group, as they start to retire from the work force, exhibit strong spending patterns and have enviable levels of discretionary income and time. From this perspective, some observers suggest Macy’s might be going after the wrong age demographic—unless Baby Boomers like selfie walls too.

Discussion Questions:

1. **What is Macy’s plan to attract Millennials?**
2. **Do you shop at Macy’s? Why or why not?**
3. **Given your answer to question 2, do you think Macy’s Millennial strategy will be successful?**

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Will Sam's New Plan Lead to Sustainable Growth?

George Anderson, Retail Wire, October 6, 2015

Use with Chapter 2, "Types of Retailers," and Chapter 5, "Retail Market Strategy"

Sam's Club has a new strategic plan, and the changes associated with it already are evident throughout the discount chain's operations. The revised plan lays out the four target markets that the company aims to attract to its stores, institutes changes at the management level to reflect shifting priorities, and reiterates the company's dedication to digital technology.

First, the company's president and CEO Rosalind Brewer explained in an e-mail sent to all Sam's Club associates that the segmentation and targeting the firm will be using hereafter will focus on four main categories of members. The first consists of large families with young children, but another segment comprises "social couples" of various ages who like to entertain. Furthermore, Sam's will seek to appeal to families who live in close proximity to stores and regard the Club as a regular source for their grocery needs. Finally, Sam's will reach out to new moms, shopping for their infants, who offer strong loyalty potential over time. Brewer's plan for appealing to these groups involves increased data analysis and better merchandise allocations.

Second, several changes to Sam's organizational chart reflect the effort to appeal to the four key segments. For example, a new vice president of category management will "deliver the analytical horsepower needed by our merchandising teams to make informed decisions." New executive positions in charge of produce and meat similarly denote the chain's efforts to feature more fresh food items. Because consumers frequently seek local offerings as well, another new vice president will be in charge of regional buying. Finally, to achieve an effective, well-integrated private label approach, Sam's hired a private label specialist to take charge of its store brands.

Third, Brewer emphasized the importance of digital technology for differentiating Sam's from its channel competitors. The ultimate goal for any uses of digital technology, according to Brewer, is making the shopping experience easier for members, whether they visit stores or shop from home. Claiming leadership in digital uses in the warehouse club market, Brewer predicted that "over time we'll have the best use of integrated technology in retail."

Discussion Questions:

1. **What type of retailer is Sam's?**
2. **Who are its primary competitors?**
3. **Which groups has it chosen to target?**
4. **Do you shop at Sam's or one of its competitors? Why or why not?**

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The Slower You Shop, The More You Spend

Ellen Byron, The Wall Street Journal, October 20, 2015. See also "Should Retailers Slow Down Shopping?" Tom Ryan, Retail Wire, October 30, 2015

Use with Chapter 4, "Customer Buyer Behavior," Chapter 5, "Retail Market Strategy," and Chapter 17, "Store Layout, Design, and Visual Merchandising"

If modern buyers can get everything they need, delivered to their door quickly and efficiently, without having to leave home, what's to prompt them to visit stores? This question, and its answers, appear to underlie some of the latest experiments by creative retailers that encourage consumers to embrace the beauty of "slow shopping."

Rather than prioritizing efficiency, speed, or moving customers through their stores, these retailers provide inducements for shoppers to linger, spend time leisurely making their way around the store, and test various product options. For example, dozens of Origins stores now feature sinks in stores, with open jars of the brand's skin care products awaiting next to them. Consumers can lather up with the various option, determining which scent they like best or which version feels nicest on their skin. The ingredients to the products are featured in jars displayed on nearby shelves. Although no one can purchase the displayed ginger or mushrooms, they provide insights into what goes in to the products that those customers are playing with in the sinks.

Other retailers devote considerable, and valuable, square footage to such non-revenue–inducing offerings such as libraries, performance spaces, expansive seating, and selfie walls. Rather than packing more products into a space, these retailers consciously are reducing the number of products available in stores, in the hope that the in-store experience will be so appealing that more customers will visit and spend more time there.

In support of this rationale, research studies consistently show that the more time people spend in a store, the more they buy. In the past, high-end department stores embodied this concept, providing fancy restaurants and tea rooms that allowed shoppers to take a break halfway through an all-day visit to the stores. Even local drugstores encouraged people to linger, offering soda fountains or lunch counters.

Modern anecdotal evidence affirms the idea too. When Club Monaco added non-retail offerings to its various stores, with locally specific offerings (e.g., a whiskey bar in London, a farmer's market in Hong Kong) and décor, shoppers started asking sales clerks if the apparel company provided home decorating services too. They also started buying the furniture and artwork on display. In turn, the retailer has initiated a renewed concept of inventory rotation, such that its in-store decorations change every few months, depending on what shoppers have purchased.

The appealing in-store experience also can attract people who have never shopped with the brand before. Urban Outfitters thus hosts concerts to get music fans in its shops. By setting up a lunch counter, Restoration Hardware attracted one Chicago-area shopper who had never been there before, but needed a quick bite during the work day. Instead, she lingered in the store and purchased several towel sets and rugs that she normally would have bought online.

Discussion Questions:

1. **What is "slow shopping?"**
2. **Is this strategy new to retailing?**
3. **Why are more retailers implementing "slow shopping" strategies?**
4. **Under what circumstances or for which product categories do you prefer "slow shopping" to "fast and convenient" shopping?**

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Walmart Plays Catch Up with Amazon

James B. Stewart, The New York Times, October 22, 2015

Use with Chapter 2, "Types of Retailers," Chapter 3, "Multichannel Retailing," Chapter 5, Retail Market Strategy," and Chapter 10 "Information Systems and Supply Chain Management"

About 15 years ago, Walmart committed itself to Internet retailing. This year, it made the same commitment. But the environments surrounding these similar announcements differ radically from each other. In particular, a couple of decades ago, Amazon was just a small annoyance, totally dominated by Walmart's superior reach, sales, distribution capabilities, and revenue. Today however, Amazon has overtaken Walmart in terms of its stock market value, and it appears well-positioned to compete in the digital marketplace, whereas Walmart continues to seek a firm toehold in the online realm.

Walmart certainly is not alone in struggling to compete with Amazon, but it is the largest and most prominent example of how Amazon has transformed the retail landscape. In addition to its long-standing advantages—low overhead, achieved because it does not need to invest in physical stores; vast inventory, unlimited by any reliance on square footage in stores; and an enviable recommendation algorithm—Amazon continues to invest heavily in its fulfillment capabilities. By achieving the ability to offer same- and next-day delivery regularly, Amazon has become a primary source that consumers rely on to meet their immediate consumption needs.

In contrast, Walmart's dominance has been predicated on its reputation for low prices and its excellent distribution network to stores. That is, Walmart's famed logistics capabilities have allowed it to get products from distribution centers onto store shelves more efficiently than virtually any other retailer. However, it lacks the skills and logistics ability to move those products from store to customers' homes.

Furthermore, its low price reputation is being challenged by Amazon too. Unscientific experiments show that the two retailers vary in which one offers the lowest price on any particular product. Amazon also changes its prices constantly, which makes a direct price comparison difficult. However, the overall notion that Walmart has long tried to develop—namely, that it would always be the place where consumers could find the lowest prices—no longer holds for many shoppers. They might be able to find the lowest price at Walmart, but the substantial price transparency of the Internet means that they can always click around to see if they might find a better deal elsewhere—like Amazon.

Thus, Walmart's dedication to online retail might be too little, too late. It spent years focused on ensuring its dominance in physical logistics channels, but in some ways, those investments have already grown outdated. By the same token, Walmart recognizes that it cannot simply ignore the online channel. It claims that shoppers actually want a hybrid offering, such that they can order online and pick up items in stores if need be. In that case, Walmart can leverage its existing advantages into the future as well. Finally, it knows that Amazon is not going anywhere. If Walmart plans to continue to compete effectively with it, it needs to keep on committing to its online strategy.

Discussion Questions:

1. **Why is Amazon beating Walmart.com?**
2. **Do you believe that Walmart can catch up with Amazon? Why or why not?**

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Omnichannel Comes of Age with New Index

Dan Berthiaume, Chain Store Age, October 1, 2015

Use with Chapter 3, "Multichannel Retailers"

Let's consider the state-of-the-art of omnichannel retail, as detailed in a recent index that the National Retail Federation, in conjuction with the FitforCommerce digital consultancy, released to describe the best practices in the retail industry. With mystery shoppers and cross-channel analyses, the groups investigated a sample of 120 retailers. Their findings reveal some key insights.

First, about half of all retailers with physical stores allow consumers to check their in-store inventory on their mobile devices or make that information available on their websites. In addition, less than half of them insert in-store signage that encourages consumers to consider omnichannel options, such as suggestions that they reserve a product online.

Second, their online offerings are diverse. Approximately one-quarter of them allow online purchases followed by in-store pick up services; half of them provide free return shipping; and about three-quarters have a "click to call" feature to connect online shoppers with service representatives.

Third, across the different platforms, 84 percent of the retailers allow users to interact with their shopping cart through the various channels. Another 60 percent let shoppers begin their shopping, then save items in their digital shopping carts for purchase at some later time.

These statistics and the accumulated evidence strongly suggest that omnichannel, rather than being a differentiator, is becoming a necessary capability for modern retailers. Consumers simply expect to be able to find retailers on multiple channels, in line with their daily practices, in which they switch seamlessly across physical, mobile, and online interactions.

With the assessment that omnichannel is inherent to modern retailing, the report also suggests that the next big thing on the horizon is the emergence of the Internet of Things. Smart devices (e.g., appliances, vehicles) can radically expand the number and variety of channels that allow consumers to interact with retailers. Some cutting-edge retailers already are testing these options. For example, Amazon's Dash service allows users' smart devices to place orders automatically and conveniently for their owners.

Discussion Questions:

1. **What are retailers doing to make their operations truly omnichannel?**
2. **Which of these initiatives are most important to you? Why?**

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J.C. Penney Settles Shoppers' Suit Over False Advertising

Hiroko Tabuchi, The New York Times, November 11, 2015

Use with Chapter 14, "Retail Pricing"

Without admitting any guilt, JCPenney recently agreed to pay the plaintiffs in a class action lawsuit $50 million to make the case go away. It started when a shopper in a California JCPenney alleged that the sale price that the retailer advertised was really just its regular price. Despite promoting the price as a 30 percent discount, JCPenney had never charged any higher price for the garment.

The broader question is whether JCPenney, and other discount retailers, engage in a misleading practice by which they mark prices higher than they ever expect to sell the products, then immediately discount them to what they consider a reasonable price point. In this case, consumers are fooled into thinking that they have gotten a deal, when really they are just paying the retailer's low prices. Other retailers similarly have been accused of using such deceptive reference prices, such as Kohl's and Men's Wearhouse.

For retailers that engage in these practices, the most effective method often involves private label or exclusive products. For example, at JCPenney, the Liz Claiborne blouses at the heart of the lawsuit were not available for sale anywhere else. Thus, consumers had no means to compare the prices with the costs they faced elsewhere.

According to regulations enforced by the Federal Trade Commission, the lack of comparison isn't the heart of the problem though. Rather, federal regulations insist that calling something a sale requires that it be sold at a higher price for some reasonable amount of time, and some retailers seem unable or unwilling to meet that requirement.

Discussion Questions:

1. **What is a deceptive reference price?**
2. **Do you believe that JCPenney uses deceptive reference prices?**
3. **What other retailers do you believe uses deceptive reference prices?**

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Why Is Social Media Not Working for Customer Service?

Tom Ryan, Retail Wire, November 9, 2015

Use with Chapter 18, "Customer Service"

Even as more and more shoppers seek to gain access to retailers through social media—with some studies indicating that 20 percent more of them will be contacting retailers through this channel than did so last year—and even with plenty of warning of the trend, retailers continue to lag when it comes to responding promptly and providing the kind of service that consumers regard as necessary.

For example, while about three-quarters of retailers have the capacity and ability to respond to customer requests via e-mail, only about 20 percent can do so through Twitter, and a little more than half even have operations in place to respond through Facebook. And even when they have these capabilities in place, retailers are not using them very effectively. A customer reaching out for support would wait an average of just under 8 hours for an e-mail response. On Twitter and Facebook, the average response times were both longer than a full day—far more than modern shoppers are willing to wait.

Specifically, another study revealed that shoppers expect responses from retailers within about 6 hours for both e-mail and Facebook, and within 1 hour for Twitter. Clearly, retailers are too slow in all these channels, but the gap is particularly worrisome when it comes to Twitter. People want their tweets addressed almost immediately; instead, retailers that respond, if they do at all, take an average of 31 hours to do so.

The seriousness of this gap is notable, because failed customer service on a social media platform is nearly tailor-made for going viral. Therefore, retailers should take a few main points to heart in developing their social media–driven customer service. Primarily, they need a stronger sense of urgency, such that they offer at least some response right away. They also need well-trained social media customer service providers, who express empathy and authenticity, without resorting to angry or negative responses that customers could share immediately with their vast social media networks. Finally, better integrated customer service operations can help ensure that the social media response is in line with what the company's data indicate the customer wants and needs.

Discussion Questions:

1. **Are retailers meeting customer expectations when responding to e-mail and social media?**
2. **What can retailers do to improve their communications with customers through e-mail and social media?**

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Three Reasons Amazon Is Everyone's Competitor

Dan Berthiaume, Chain Store Age, November 9, 2015

Use with Chapter 5, "Retail Market Strategy," Chapter 10, "Information Systems and Supply Chain Management," and Chapter 18, "Customer Service"

The competition between Amazon and some retailers is evident and obvious (think Walmart, Target, Barnes & Noble, Staples, and so on). But according to some analysts, Amazon competes with literally every retailer, which means the every retailer needs to understand what makes Amazon work so well if they are going to remain competitive and hold on to at least some of their market share.

The advantage comes from three main features. First, Amazon is incredibly convenient, available to meet shoppers' every product need, at any time. Second, it is increasing its remarkable availability even further, such as with its expansion into services and its introduction of new tools and channels to help customers interact with it more often. Third, just in case people want to interact personally, Amazon is gaining steam as a brick-and-mortar retailer as well.

Let's consider these benefits in turn. Not only is Amazon's inventory unsurpassed, but it makes ordering them easy with checkout tools such as one-click and automatically repeated purchases on frequently bought items. Then it gets the ordered products to customers quickly and conveniently. For a fee, many customers even can get the products on the same day. But with its expanding roster of distribution centers, Amazon ensures that even its free, standard shipping service is pretty fast.

So why does it need physical stores? It recognizes that some customers like to shop in an actual environment, rather than a virtual one. Accordingly, Amazon plans to apply its remarkable facility with integrating and leveraging customer data to make recommendations to its brick-and-mortar stores. In so doing, it appears poised to make a successul transition from a mainly online presence to a truly omnichannel source.

It also is making its presence felt in other ways, especially in customers' homes. With its Echo service, Amazon customers who pay for Prime Now service can place orders by calling out their grocery list to an artificial intelligence device installed in their homes. With records of prior purchses, Echo can also suggest alternative options and apply previously set shipping preferences. The Dash device is another means for consumers to reorder various items with literally a push of a button.

As consumers invite Amazon in and solicit further services from it, the effect the retail giant has on the market appears destined to increase. For retailers seeking to compete with it—and by definition, that means pretty much every retailer in the world—paying attention to what Amazon is doing now represents a necessary task.

Discussion Question:

1. **What are some of the things that make Amazon so good?**

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Retail Tidbits

Biggest Barriers for Consumers in Global Online Shopping Are…

Dan Berthiaume, Chain Store Age, October 15, 2015

What keeps global consumers from shopping online? The top challenge is shipping costs, such that a recent survey showed that 64 percent of consumers worried about the charges associated with moving the products they planned to order. Only 39 percent cited shipping delays as a barrier, and another 33 percent claimed that return policies kept them from shopping online with international retailers. Despite the global connectivity offered by the Internet, buyers also noted challenges related to international purchases, such as product descriptions in foreign languages, currency conversion issues, and merchants that did not accept their credit cards. Among those who do buy globally though, shoppers generally seek product offerings from merchants located in the United States, United Kingdom, or Germany. Moreover, 62 percent of shoppers rely on search engines to find their desired products. Only about one-quarter mainly use their mobile devices for their purchases, though this percentage is higher in some countries (e.g., United Kingdom, China, India) and among Millennials. Finally, in addition to the challenges and barriers noted, the survey revealed that the main driver of international online purchases was price, such that 61 percent of respondents bought from a vendor outside their own country because it offered a better price on the products they wanted.

Lord & Taylor Is the Latest to Take the Off-Price Route

George Anderson, Retail Wire, October 27, 2015

Following many of its peers and competitors, Lord & Taylor is beginning to roll out its own off-price chain of stores, which it will call Find@Lord & Taylor. The first store, set to open in Paramus, New Jersey, will fill approximately 35,000 square feet with apparel and home furnishings. The inventory, split about evenly between off-price and clearance items, seeks to appeal to younger and small family market segments, which differs from the demographic profiles that tend to shop at traditional Lord & Taylor stores. With plans to open six more locations within the next year, Lord & Taylor notes that the inspiration for this expansion came largely from its sister company Saks, which successfully opened the Saks Off Fifth chain of off-price stores. The parent firm, Hudson's Bay, thus already includes ranks of employees and managers experienced with the process of launching such an expansion.

Amazon's Dominance of Online Shopping Starts with Product Searches, Study Shows

Taylor Soper, Geek Wire, October 6, 2015

Amazon might be a retailer, but a recent survey suggests that it also functions as some users' primary search engine. Among 2000 respondents, 44 percent indicated that when they began a product search, they started on Amazon, rather than on traditional search engines such as Google or on specific retailers' own websites. Just a year ago, a similar survey indicated that 39 percent of customers started with Amazon, indicating that the online retailer's dominance is continuing to grow. In this view, its success in the retail channel derives mainly from its success in the search channel: If a shopper starts the purchase process with a search on Amazon, he or she is highly likely to remain with Amazon through the final steps of the process, namely, making the purchase and even reviewing it thereafter. Furthermore, when asked why they chose Amazon, most of these respondents noted that the retailer offered great personalization. When they enter a search term, Amazon knows how to suggest related and pertinent products that help them make good purchase decisions. For competitors, the lesson might be that improved personalization represents the best option for stemming the continuing flow of customers to Amazon.

And the Top Omnichannel Retailers Are…

Dan Berthiaume, Retailing Today, October 2, 2015

When it comes to the leaders in the omnichannel realm, the Omnichannel Retail Index by the National Retail Federation and the FitforCommerce digital consultancy offer several categories. For example, when it comes to the best providers of information about in-store availability, BJ's Warehouse Club, GameStop, Lowe's, PetSmart, and Staples take the top positions. The competition was not a stiff as might be imagined, because only about half of all retailers offer this information, and less than half permit consumers to look up inventory details through their mobile devices. When it comes to ensuring a good multiplatform experience, the index cites the excellence of Apple, IKEA, and Macy's. In terms of loyalty marketing, Bloomingdale's, Crocs, H&M, and Kay Jewelers are best. But for delivery services, the top ranked retailers are Neiman Marcus and Nordstrom, along with the Home Depot. Finally, for customers who need to return items they have purchased, the top ranked retailers are Aldo, Cabela's, and Target. Thus, the best omnichannel retailer remains a title up for grabs, depending on the criteria being used to define excellence.

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The World's Most Valuable Brands Are…

Marianne Wilson, Chain Store Age, October 6, 2015

Wondering about the most valuable brands in the world? If you have been paying attention, this year's top entries should come as no surprise. Apple and Google, for the third straight year, remain the most valuable names, and they even increased their value compared with last year. Apple's value jumped a remarkable 43 percent, and Google enjoyed a 12 percent increase. Other members of the top ten include Coca-Cola (3) and McDonald's (9); Microsoft (4), IBM (5), Samsung (7), and GE (8); Toyota (9); and Amazon (10). To achieve these rankings, the author of the report, Interbrand, measures each brand's financial performace, influence on consumer choice, and ability to charge a price premium. Furthermore, as Interbrand's Global CEO explained, "Many of the brands in this year's Top 100 are so intuititvely aligned with people's priorities that they are able to seamlessly integrate into their everyday lives."

Are Consumers and Retailers Ready to Go All-In on Shop-and-Scan Tech?

George Anderson, Retail Wire, November 4, 2015

Even as new technologies continue to be introduced in the effort to make the process of tallying up retail purchases and paying for them faster and more efficient, 88 percent of shoppers in a recent survey of what they most wanted from retailers noted their desire for faster checkouts. Thus the innovations continue. For example, Kroger is testing a "Scan, Bag, Go" system in 15 stores, in which shoppers can download a mobile app and use it on their personal devices to scan the bar codes of the products they want to buy. Other, more widespread methods include revising the organization of queues and updated technology to determine how many checkout lanes to open. But the notion of a handheld scanner holds perhaps the best promise, because customers "love scanning and bagging and seeing their grocery bill while they shop." The entertainment factor might make the difference for the acceptance of this efficiency tactic.

What Happens Now that Mango Is Bailing on J.C. Penney?

George Anderson, Retail Wire, November 11, 2015

In retailing, as in romance, sometimes a breakup comes as a surprise to virtually everyone, resulting from reasons known only to the partners to the relationship. For example, just a few months ago, Mango and JCPenney appeared to be functioning happily together, celebrating six years of Mango sections installed within JCPenney stores. But as of February, Mango will have closed all of its stores-within-the-stores, leaving it with only a few standalone shops in the United States. Prior to the announcement, there was little warning of the impending breakup. Chief executives of both companies had praised the alliance as a "perfect match," bringing cutting-edge, fast fashion to a broad market of price-conscious shoppers in the United States. JCPenney appreciated how Mango enabled it to differentiate itself from competitors. Mango liked the support it received from a well-established chain as it continued in its international expansion efforts. But now all of the 450 Mango stores in the United States will close, without much explanation as to why. Maybe the truth will come out in divorce court.

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