Newsletter for Instructors

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

- Has Rainbow Shops Created a Compensation Model Aligned with Omnichannel Realities? **(Chapters 3 & 16)**
- How to Survive the Retail Crisis: A Master Class from T.J. Maxx **(Chapter 2)**
- The Whole Foods–Amazon Deal **(Chapters 3 & 5)**
- A Test of Loyalty at Macy's **(Chapter 11)**
- Deep in the Malls of Texas, a Vision of Shopping's Future **(Chapter 7)**
- Can Fitness Classes Wake Up Retail Store Traffic? **(Chapters 4 & 18)**
- Will AI Make Better Hiring Decisions than Humans? **(Chapter 16)**
- Will Sears Get Traction with Its New Appliance and Mattress Store Concept? **(Chapter 5)**
- Will Putting a Spotlight on Associates Help Boost Kroger's Business? **(Chapter 5)**
- Why Your Local CVS Is Hiding the Candy and Tanning Oil **(Chapters 5 & 13)**

Retail Tidbits

- Will Amazon Prime Wardrobe Change How Americans Shop for Clothes?
- Will UPS's Black Friday Delivery Surcharge Have Retailers Seeing Red?
- Will the Bonobos Acquisition Give Walmart a Fashion Edge?
- Google Faces Record EU Antitrust Fine
- Nike Thought It Didn't Need Amazon—Then the Ground Shifted

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http://warrington.ufl.edu/centers/retailcenter/research/publications.asp

RETAILING MANAGEMENT 9e

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**

Has Rainbow Shops Created a Compensation Model Aligned with Omnichannel Realities?

Matthew Stern, Retail Wire, June 13, 2017

Use with Chapter 3, "Multichannel Retailing," and Chapter 16, "Managing the Store"

A sale is a sale ... except when an online sale results in an in-store return. The retailer might break even, but its website division receives the credit for a sale, while the physical location's total sales are dinged by a return. This tension between brick-and-mortar locations and the brand's online presence ultimately can disrupt and hinder the omnichannel consumer experience.

For example, employees of the physical location may not be incentivized to direct customers to the website, for fear of having to accept a return later. The negative sale numbers associated with too many returns can lower the physical location's sales numbers, which might threaten to reduce employee bonuses or awards that are based on sales figures, or else lead to stagnant compensation rates.

To reduce this tension, Rainbow Shops is taking a new approach. In an effort to create a more cooperative relationship between its physical store locations and its online presence, the retailer has modified the bonus structure tied to in-store sales. In the event a customer's shipping ZIP code is within a 10-mile radius of a physical store location, the sale is applied to the store's bonus. If a customer's shipping ZIP code is outside of this radius, the sale is associated with the retailer's website division only.

Rainbow Shops asserts that this new location-based bonus structure has helped establish greater cohesion between its brick-and-mortar presence and its e-commerce platform. Retail store employees are now more likely to encourage customers to shop on the website for out-of-stock items and to encourage other brand purchases. In-store returns no longer are perceived as threats to the location's bottom line. As an added bonus, customers who visit the store to return some merchandise make additional in-store purchases approximately 60 percent of the time. Thus, a team approach has replaced the previous, tension-filled, competitive setting, and ultimately, the brand, its employees, and its customers all seem to benefit as a result.

Discussion Questions:

1. **Why were online sales sometimes unfairly representing the performance of Rainbow Shops?**
2. **What did the retailer do about it?**
3. **How would you handle the inequity involved when online sales negatively impact store sales?**

Top of Document

How to Survive the Retail Crisis: A Master Class from T.J. Maxx

Suzanne Kapner, The Wall Street Journal, June 20, 2017

Use with Chapter 2, “Types of Retailers”

For retailers that rely solely or very heavily on physical store locations, the future looks increasingly bleak. Many well-known chains have reduced the number of their physical store locations; some even have chosen to shutter their brick-and-mortar locations for good and move solely to e-commerce platforms. Still other brands have declared bankruptcy and exited the market or been sold to competitors. And consumers continue to shift toward online shopping, seeking its convenience and lower prices.

Despite many ideas about how to retailers might pivot and best meet the changing demands of consumers, few have found the solution. This claim is best exemplified by an exception: The discount retailer TJX Co., owner of brands such as T.J. Maxx, Home Goods, and Marshalls, seemingly might have had the recipe for success all along. Sales at this retailer’s stores have risen for 33 straight quarters, and as revenue and profits continue to climb, the brand plans to open an additional 250 stores in 2017.

What’s the secret? Turns out that TJX Co.’s business model is the key. Since the 1970s, TJX Co. has focused on offering brand name goods at reduced prices. The store’s merchandise managers and corporate buyers are empowered to order limited quantities of products when a good buy becomes available, resulting in a diverse offering of merchandise that constantly shifts. From soup to swimsuits, the inventory can change based on available supply, current trends, or lucky finds. This practice lures bargain hunters to the store to partake in the ever-changing treasure hunt, and when a good deal appears, shoppers know they must buy now, before the product is gone. There is no incentive to wait: The product is already discounted, and TJX Co. does not use sales or coupons to drive sales. Furthermore, at TJX Co.’s locations, a strict “door to floor within 24” policy ensures that the carefully selected inventory has no time to collect dust. These retailers sell merchandise within 25 days on average—far less than the 100 day timeline routinely exhibited by other department stores such as Macy’s and Kohl’s.

In addition, TJX Co.’s unique inventory allows the retailer to shift easily, from clothes to shoes to housewares, then back again, depending on sales performance and product availability. Unlike a traditional retailer (e.g., J. Crew), which only can stock its own line’s fall, winter, or spring options, regardless of performance, TJX Co. can move underperforming items to the clearance rack and put something new in its place. The store designs accordingly are intentionally flexible in terms of the space designated for each department. If one season sees an increase in the number of jackets received, space from underwear and swimsuits can easily be reallocated.

One of the key results of this mix of low-cost finds and flexible inventory is that consumers visit a TJX Co. retailer on average seven times a year, and those shoppers typically make a purchase at each visit. Traditional department stores find that consumers visit only four times a year, and those shoppers tend to purchase only about one-third of the time. The only area that TJX Co. fails to compete (or beat) traditional department store retails is in the e-commerce space. Currently, only 1 percent of brand revenue comes from TJX Co.’s website sales. However, with the continued success experienced by its physical locations, the retailer is not too concerned with finding the recipe for success online. It likely will stick with what has always worked.

Discussion Questions:

1. **What type of retailers are TJ Maxx and Marshall’s?**
2. **Why are they so successful?**

Top of Document

The Whole Foods–Amazon Deal

Laura Stevens and Heather Haddon, "Big Prize in Amazon-Whole Foods Deal: Data," The Wall Street Journal, June 20, 2017; Neil Irwin, "The Amazon-Walmart Showdown that Explains the Modern Economy," The New York Times, June 16, 2017; Annie Gasparro and Heather Haddon, "Grocery Pioneer Whole Foods to Join Mass-Market Crowd," The Wall Street Journal, June 16, 2017; Farhad Manjoo, "In Whole Foods, Bezos Gets a Sustainably Sourced Guinea Pig," The New York Times, June 17, 2017

Use with Chapter 3, "Multichannel Retailing," and Chapter 5, "Retail Market Strategy"

Amazon.com has redefined all aspects of the retail market. The e-commerce giant's online presence has forced many brick-and-mortar stores to close locations and move their own operations online to compete. So why would the tech-savvy giant choose to purchase Whole Food Markets Inc., an upscale grocer with 460 retail store locations?

There are a few answers, and "data" is predominant among them. Although Amazon has a firm and enviable grip on how consumers shop online, it struggles to predict consumer behavior in physical store locations. Thus far, its tentative efforts to enter the grocery market, such as its delayed grab-and-go concept store in Seattle and struggling Amazon Pantry service, have remained rare missteps for the company. The purchase of Whole Foods—with its own successful track record of creating and fostering customer loyalty—could provide the answer.

In particular, the consumer data that Amazon will obtain from Whole Foods offer the promise of enhancing, developing, and supporting its newly extended brand. First, Whole Foods will provide Amazon with information about how shoppers behave in physical stores. Everything from impulse purchases to traffic flow patterns will provide valuable insights to Amazon as it seeks to enhance sales at its own brick-and-mortar bookstores and planned grab-and-go convenience stores. As a bonus, 60 percent of Whole Foods shoppers also currently subscribe to Amazon's Prime service, so Amazon already knows that Whole Foods customers represent a viable target segment, displaying the needs and behaviors that shoppers who are in its target market embody.

Second, Whole Foods has successfully built a wide-ranging private-label brand. This experience and expertise will help Amazon better understand how to grow its own private-label brand successfully. It currently produces mostly staples, such as batteries, baby wipes, and computer paper, but there clearly is room for Amazon to leverage its new retail data to expand these offerings.

Third, the new physical store platform will allow Amazon to test a variety of new ideas to see what works and what does not. For example, acquiring Whole Foods means that Amazon gains a space and means to experiment with new forms of payment, such as expanding the use of its Amazon Pay service. The results of these experiments should enable Amazon to devise new ways to encourage greater adoption of this service or any subsequently developed easy pay service—a development that would lead to an even greater stockpile of data.

Ultimately though, the $13.4 billion dollar purchase of Whole Foods by Amazon still represents a risk. The high-end grocery store has faced increased competition from other grocers, especially as larger chain stores seek to lure shoppers with similar lines of organic products offered at lower prices. Whole Foods' 460 stores also have faced a long stretch of same-store sales declines. With prices that average 20–30 percent higher than other grocers', Whole Foods continues to seek ways to deal with not just declining sales but also a labeling scandal uncovered by the New York Department of Consumer Affairs and growing opposition from both its board and its shareholders about the CEO's plan to remain independent.

Still, the acquisition of Whole Foods and its retail locations suggests that Amazon is dedicated to the idea of competing more aggressively in the retail grocery space and overcome its early struggles to cross into that market. Purchasing Whole Foods allows Amazon to piggyback on a successful brand and concept. Fresh leadership and greater purchasing power seemingly might help alleviate many of the woes that Whole Foods has struggled to overcome as an independent retailer.

By adding grocery to its already extensive array of retail offerings, now more than ever Amazon seems poised to compete with Walmart for ultimate dominance in the retail space. Both entities have expanded their operations, by acquiring other, smaller, successful brands, then raising the profile of each niche company to help it reach new audiences. For example, Walmart typically has been associated with lower- and middle-income customers in rural areas, but it recently acquired two high-end fashion companies, ModCloth and Bonobos, that are known for their fashion-forward images and significant online retail presence. Through such acquisitions, Walmart clearly is seeking to expand its product offerings and appeal to a new type of affluent consumers. They also allow Walmart to expand its online presence and fashionable image, such that it might compete more directly with Amazon for the same shoppers.

Simultaneously, Amazon's acquisition of Whole Foods seeks to broaden the retailer's appeal and customer base in the grocery market, a sector traditionally dominated by Walmart. As each nips at the heels of the other, the consolidation of retail power behind two mega-brands continues to lead toward what might be an interesting showdown in the retail sector. Which entity will come out on top?

Discussion Question:

1. **Why did Amazon buy Whole Foods?**
2. **Was it a good idea from the perspectives of the buyer and seller?**
3. **How do these acquisitions fit into the current omnichannel retail environment?**
4. **Who will come out on top, in your opinion: Walmart or Amazon? Why?**

Top of Document

A Test of Loyalty at Macy's

Miriam Gottfried, The Wall Street Journal, June 15, 2017

Use with Chapter 11, "Customer Relationship Management"

Disappointed with the performance of its existing credit card and in-store loyalty programs, Macy's is planning to roll out a new, improved, and streamlined loyalty program in late 2017. The retailer hopes that this action will help encourage brand loyalty and ultimately revive the struggling chain. Recently, the company discovered that only 9 percent of its customers currently account for 46 percent of its sales, so it is clear that keeping loyal customers interested in coming back again and again can be one ingredient in the recipe for future success.

Loyalty programs generally work best when they offer a valued perk to members. Amazon's Prime service offers its members free shipping options. Starbucks's rewards program offers a convenient way to order and pay from a smartphone, then rewards frequent drinkers with a free cup of coffee after they earn a certain number of points. Retail insiders hope that Macy's will take its cues from these other successful brands as it redevelops its own loyalty program. Offering services such as free shipping on online purchases, holiday gift wrapping, and tailoring could potentially help woo customers to make Macy's their first-stop shopping destination and then keep them coming back to spend more.

Discussion Question:

1. **What makes some loyalty programs successful, while others are not? Provide examples.**
2. **What is Macy's doing to improve its loyalty program?**

Top of Document

Deep in the Malls of Texas, a Vision of Shopping's Future

David Montgomery, The New York Times, June 20, 2017

Use with Chapter 7, "Retail Locations"

The shopping mall industry is in the midst of a "seismic shift" that is shaping up to be as destructive as your typical earthquake. As large, anchor department stores shutter their locations and focus on a greater online presence, mall landlords struggle to fill available retail space. The result can leave a mall abandoned or with sections deliberately shut down, to focus on the few retailers that struggle to remain in business. Many in the retail industry thus wonder about what will be next for these large, abandoned retail spaces. Developers in Texas think they may have the answer.

In North Dallas, a traditional mall complex has been cleared away, as part of a new $3.5 billion development that includes restaurants, offices, and housing options. The developer hopes the entertainment and employment options will lure patrons to the previously abandoned space—and then that they might like it well enough to make their homes there.

Grapevine Mills in North Texas is a mall property that similarly has shifted away from simply hosting retail stores. It now includes an aquarium, a Legoland, a bowling alley, and a sports complex. The reimagined mall cites an "experiential" formula as the way for such properties to move forward in the shifting economy. The idea is that if they can attract families to the location to experience fun dining and entertainment options, those consumers will stick around to shop in retail stores too.

In Austin, Texas, the Highland Mall is getting creative about how to best use abandoned space too. As part of a $900 million public–private initiative, some of the old mall will now be used as a satellite campus for Austin Community College. Currently the repurposed facility supports 6,000 students each semester, and when the project is complete, this number will increase to 20,000 students.

The golden age of retail thus might not ever return for malls, but with some creative thinking, these spaces can be repurposed to appeal better to the changing tastes of the American consumer. The end result ultimately might be even more profitable. They just have to dream big—like they do in Texas!

Discussion Question:

1. **How are mall developers repurposing failing malls?**

Top of Document

Can Fitness Classes Wake Up Retail Store Traffic?

Tom Ryan, Retail Wire, June 28, 2016

Use with Chapter 4, "Customer Buying Behavior" and Chapter 18, "Customer Service"

Seeking to take advantage of the growth in activewear sales, Saks Fifth Avenue's flagship New York City location recently opened a 16,000-square foot space that offers a variety of fitness classes and wellness services. Dubbed the Wellery, the new space allows customers to make reservations to take their favorite fitness class, partake in a relaxing massage, or test out the latest home gym equipment. Saks hopes that the new offerings will provide customers with a new way to feel good while they are in the retailer's store and encourage more frequent visits. If customers happen to pick up a new pair of yoga pants on the way out, well then, even better.

This retailer is known for its ambitious tactics, designed to help support and enhance its in-store sales. In 1935 for example, this same location constructed an indoor ski slope so that the retailer could offer skiing lessons—and then sell skiing equipment and supplies. The Wellery is yet another example of the creative, outside-the-box thinking that Saks uses to set it apart from its department store competition.

Discussion Questions:

1. **At which step of the buying process would fitness classes be most effective?**
2. **Do you believe in-store fitness classes will stimulate sales?**

Top of Document

Will AI Make Better Hiring Decisions than Humans?

George Anderson, Retail Wire, June 28, 2016

Use with Chapter 16, "Managing the Store"

Companies continue to find new and innovative ways to incorporate artificial intelligence (AI) into their daily business practices. One emerging field is to use AI in the new hiring process.

For example, Unilever recently added new technology to help screen candidates for management roles. Various versions of AI technology serve to screen the candidates during the first three rounds of the interview process. First, dedicated algorithms sift through application forms to identify only those candidates who meet the criteria for the position. Second, the resulting pool of applicants receive invitations to partake in an electronic skill assessment test. Third, the top one-third of performers on this test are asked to submit to a video interview, during which they answer questions about issues they are likely to face while on the job. Once the AI has winnowed the field of applicants throughout these first three rounds, the remaining candidates are invited to have an interview with an actual person.

According to Unilever, the new AI-assisted process has resulted in offers to 80 percent of the candidates that make it through the rigorous screening process. By using the AI technology, the company can allocate the efforts of its human resources staff more efficiently: They focus only on qualified candidates.

Although these technologies continue to be honed and refined, the use of AI in the hiring process also may raise some concerns. For some applicants, particularly those with unconventional work or educational backgrounds, the stringent procedure makes it more difficult for them to be considered for positions. Furthermore, certain interpersonal skills or traits (e.g., warmth, charisma) may be given less priority by the AI than they would be by a human interviewer. Companies thus will need to weight the pros and cons carefully before deciding how much to incorporate AI into their hiring process.

Discussion Question:

1. **Do you think artificial intelligence systems can make better hiring decisions than humans?**

Top of Document

Will Sears Get Traction with Its New Appliance and Mattress Store Concept?

Tom Ryan, Retail Wire, June 26, 2017

Use with Chapter 5, "Retail Market Strategy"

Faced with slowing sales and increased competition, Sears has plans to close more than 200 Sears and Kmart locations in 2017. However, there is one concept store, encompassed within the Sears brand, that is currently exceeding performance expectations by scoring a big hit with consumers: a showcase store for appliances and mattresses.

To compete better in the changing retail market, Sears has sought to focus on the sales of appliances and mattresses, which currently represent the retailer's strongest two categories. Thus far, online retailers such as Amazon have struggled to find a way to compete for these lines of business. Consumers continue to value the ability to interact with and test-drive large items such as these before committing to a purchase.

Buoyed by the success of these two lines, Sears recently opened its second appliance concept store. The new facility is a 20,000-square-foot location, where customers can compare the top 10 appliance brands, interact with a full-scale interactive kitchen displays, and easily order new appliances and other products for the home. The second store also features a mattress section where customers can test out mattresses from all of the top brands, as well as purchase pillows and bedding.

With these "try it before you buy it" concept stores, Sears affords consumers the ability to rest easy about their purchase, and it still grants the retailer a means to operate smaller locations that facilitate electronic orders, which can be shipped to the consumer directly from a distribution warehouse. For Sears, this concept may just be the solution it needs to stay relevant and solvent in the years to come.

Discussion Questions:

1. **Why is Sears experimenting with limited category stores?**
2. **Do you believe this is a good strategy for Sears? Good enough to save to chain?**

Top of Document

Will Putting a Spotlight on Associates Help Boost Kroger's Business?

Tom Ryan, Retail Wire, June 26, 2017

Use with Chapter 5, "Retail Market Strategy"

Kroger knows that consumers have a lot of choice when they make the decision about where to shop for their groceries. Between competition from other brick-and-mortar locations and the threat poised by online grocery delivery services, it is easy for any one, specific grocery chain to get lost in the shuffle. Determined to set itself apart, Kroger has decided to make its associates the not-so-secret weapons in its play for future success.

At a recent annual shareholders' meeting, Kroger rolled out its new "Feed the Human Spirt" campaign, which highlights the impact Kroger makes on local communities. Highlighting benefits such as providing jobs, supporting environmental causes, and donating food to those in need, Kroger seeks to remind its patrons and other stakeholders that the grocer is a part of the larger community and that it gives back to those who choose to shop there.

In the same effort, Kroger also is promoting and highlighting the in-store interactions between its employees and customers. In particular, it encourages team members to interact closely with customers, in an effort to create a connection with these fellow members of their community. Kroger notes its confidence that its associates are some of the best in the grocery business. With the support of management, it believes these individual resources can set the chain apart from its competition and lead to long-term success.

Discussion Questions:

1. **Can Kroger's new emphasis on its employees and CSR initiatives like employee involvement with the community create a sustainable competitive advantage?**
2. **Would these initiatives prompt you to shop at Kroger?**

Top of Document

Why Your Local CVS Is Hiding the Candy and Tanning Oil

Sharon Terlep, The Wall Street Journal, June 28, 2017

Use with Chapter 5, "Retail Market Strategy" and Chapter 13, "Buying Merchandise"

Three years ago, CVS Health Corp. removed tobacco products from its store. The change cost the chain $2 billion in annual sales, but CVS stood by the tobacco ban. It also sought to set itself apart from the competition, as a healthier alternative to other pharmacy chains. Ultimately the tobacco ban did not drive customers away, and CVS is now planning to expand on its goals to make its customers healthy. It is targeting candy, low-protection sunscreen, and foods containing artificial trans-fats.

In four test stores, the retailer has moved candy and other snack foods to the back of the store where these items will be less visible. The chain will no longer carry any sun protection products with SPF ratings that are lower than 15. Furthermore, CVS will stop stocking foods with artificial trans-fats more than a year before the new FDA ban on these products takes effect.

As CVS's largest competitor, Walgreens could not help but take notice. Yet it does not necessarily plan to follow suit, at least immediately. Walgreens continues to sell tobacco products, alongside smoking cessation aids. The company will continue to stock candy and snack foods in usual store locations, but it also has plans to offer a greater selection of fresh fruit and vegetables. The Walgreens loyalty program offers rewards for customers who commit to exercise and health monitoring behaviors. With these changes, Walgreens believes it has a more appealing offer, because the consumer can choose to make healthier choices, but still decide what is best, on his or her own/

Ultimately the issue may be moot though: Both brands report that retail sales make up less and less of their overall revenue. The pharmacy and in-store health care clinics currently account for more than half of revenues of both pharmacy retailers, and this trend is expected to continue. The real impact that these changes will have on the bottom line may be up to the consumer. Will CVS be applauded for putting customer health over profit, or will consumers feel that these new restrictions are an overreach of the chain's influence on their day-to-day lives? Only time will tell if the candy aisle will remain at the back of the store.

Discussion Questions:

1. **Compare CVS's and Walgreens strategy with regard to stocking healthy products.**
2. **Which strategy do you believe will be more profitable in the long-run?**

Top of Document

Retail Tidbits

Will Amazon Prime Wardrobe Change How Americans Shop for Clothes?

George Anderson, Retail Wire, June 21, 2017

The latest perk for Amazon Prime members is a promise to make clothes shopping easier. The Prime Wardrobe service sends members a box of at least three items—clothes, accessories, shoes, and so forth. Consumers can try on the options and take up to a week to decide if they want to keep them. If not, they put the unwanted items back in the preaddressed box, and back it goes to Amazon. If they like the looks, they may purchase them, as well as earn discounts that increase with the number of items selected: 10 percent off if the shopper keeps three products, 20 percent off for five or more purchased items. Amazon notes that more than 1 million items, spanning choices for women, men, and children, will be available through the program. Thus, it promises to make shopping for clothing less painful, and keeping what you want even easier.

Will UPS's Black Friday Delivery Surcharge Have Retailers Seeing Red?

George Anderson, Retail Wire, June 20, 2017

Shipping last-minute presents is going to be a little more expensive this coming holiday season. In a recent announcement, UPS noted that it would raise its shipping rates for packages shipped during the last two weeks of November, as well as for the week prior to Christmas. These dates coincide with prime shopping season, such as the day after Thanksgiving, or Black Friday. Retailers that encourage consumers to purchase on that date, or else at the last minute before the big gift-giving occasion, may find that their profits are reduced somewhat by the greater expenses they must incur to be able to get their products to consumers on time. But UPS notes that during this busy season, it needs to nearly double its workforce and logistics capabilities, so the price increase simply reflects the greater demands on it. It also asserts that these bumps in the prices for its critical services—an additional 27 cents per package for ground shipping and 81 cents for next-day air—are not overly burdensome. For larger retailers, this assessment is likely true. But particularly for small, niche, online retailers that heavily depend on holiday sales, such cost increases might make the difference between happy holidays and an unprofitable lump of coal.

Will the Bonobos Acquisition Give Walmart a Fashion Edge?

Tom Ryan, Retail Wire, June 19, 2017

In an effort to expand its appeal, Walmart has acquired several niche retail brands, most recently including the innovative Bonobos men's clothing line. Bonobos gained a name for itself through its unique retailing approach, in which it hosts showrooms, where customers can visit and try in clothing, but they must place orders for their desired items, rather than leaving the store with them. The high-end products and dedicated services appealed to many fashion-forward consumers, such that Bonobos has expanded to 35 stand-alone showrooms, as well as boutiques in Nordstrom stores, in just a few years. By purchasing the brand, Walmart gains access to its inventory but also to its founder Andy Dunn, who came up with the innovative idea in the first place. The increased reach that Bonobos grants Walmart also is likely to provide it new insights into a different segment of fashionable, young consumers. The acquisition follows several similar others by Walmart, such as its purchase of Jet.com a few years ago. To manage these developments and acquisitions, the retailer has established a separate ecommerce department, dedicated to maintaining not just the walmart.com site but also the vast range of niche retailers that are now part of the company.

Google Faces Record EU Antitrust Fine

Natalia Drozdiak, The Wall Street Journal, June 16, 2017

Google is primarily known as a search engine, but because the results on its search pages also promote products that the company seeks to sell itself, it also is an antitrust regulation violator, according to the European Union. Asserting that the search algorithm prioritizes Google-related products and services over competitive options, the EU has determined that Google's actions hinder competition. The exact fines and penalties have yet to be determined, but EU rules allow the penalties to be as much as 10 percent of the company's annual revenues. In addition, the ultimate outcome likely will require Google to place its own offerings on equal footing with competitors'. That's good news for some other web sources, such as News Corp., which has long complained about Google's tactics. Google denies the allegations, claiming that promoting competitive products would mean that its search capabilities would be damaged, as it would be promoting links that it believes do not match users' needs as well. Furthermore, in the United States, Google has successfully defended against antitrust allegations thus far.

Top of Document

Nike Thought It Didn't Need Amazon—Then the Ground Shifted

Laura Stevens and Sara Germano, The Wall Street Journal, June 28, 2017

Once upon a time, popular brand manufacturers held great sway over their physical retail partners. Nike, as one of the most popular brands of footwear and athletic apparel, was also among the most demanding, requiring retailers to follow strict rules if they wanted to receive its products in their stores. Then for years, Nike resisted providing products for Amazon to sell to shoppers, with the general sense that its popularity meant that it did not need to rely on an external channel. In addition, manufacturers have relatively less control over the presentation of their products on Amazon, and Nike worried about damage to its brand image and differentiation, if its cool shoes and gear were presented in the plain product pages that Amazon uses for all its products. But what Nike did not realize is that its shoes were going to be on Amazon anyway, whether it provided them directly or not. With the growth of third-party sellers on Amazon, there is plenty of Nike gear to be had through the site—so much so that Nike is the most purchased apparel brand on all of Amazon. There are no laws or regulations that limit people obtaining goods legally and then reselling them through Amazon. Although Amazon works to police sellers, to prevent the spread of gray market or counterfeit products, it would be impossible to monitor every one of them. Thus, Nike was losing sales to Amazon, despite its efforts to spurn any sort of relationship with the retailer. Recognizing that it could not win this battle, Nike decided that it would supply Amazon with a flood of merchandise, in the hope of beating out some of the third-party sellers with which it was competing for customers. In return for receiving the product line, Amazon promised to redouble its efforts to eliminate counterfeit items from its site, and it imposed limitations that would not permit third-party sellers to offer certain Nike products at all.

Top of Document