Newsletter for Instructors

April
2017

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

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- Are "Employee of the Month" Programs Worth It? **(Chapter 16)**
- Should the Same-Store Sales Metric Be Retired? **(Chapter 6)**
- What Will the Fourth Industrial Revolution Mean for Retail Supply Chains and Jobs? **(Chapter 10)**
- Is the Time Right for Publix to Begin a Major Rollout of Its GreenWise Stores? **(Chapters 2 & 5)**
- Sam's Says It's Scoring with Club Pickup **(Chapters 2 & 5)**
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Retail Tidbits

- Can Amazon Cash Open E-Commerce Up to Millions of Underbanked Consumers?
- Survival of Sears and Kmart Is in Doubt, Owner Warns
- How Target Botched Its Response to the North Carolina Bathroom Law

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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**

How Sally Beauty Gave Its Loyalty Program a Stunning Makeover

Drew Neisser, Advertising Age, April 5, 2017

Use with Chapter 11, “Customer Relationship Management”

For the loyalty program at Sally Beauty, everything starts with an email address. It may end up with consistent customer engagement, sophisticated data analysis, and increased sales, but the first step in the process is ensuring that it can reach customers directly and effectively.

Therefore, when customers enter one of the retailer’s 3000 stores or visit its online sites, they receive an invitation to purchase a $5 membership into the program, with the promise that they also will get a $5 coupon via email. Thus, the company learns customers’ email addresses immediately, enabling it to share information about itself that might engage these shoppers on a more emotional level.

Next, it takes a careful look at what the customer buys. As an example, the company’s chief marketing officer (CMO) notes that if a customer purchases hair dye, that person is likely going to need color-safe conditioner, perhaps a touch-up tool, and then another box of dye in about six weeks. Therefore, Sally Beauty times special offers and incentives accordingly, sending email messages and coupons at just the moment the customer is likely to be looking to purchase those items. It plans to add targeted advertising too, such that a banner advertisement that pops up when a loyal customer accesses the website would feature a model whose hair color matches the color that the customer bought most recently.

Beyond such immediate information, Sally Beauty works to leverage the data it gathers from its loyalty program to design new offerings that will appeal to the demographics and preferences exhibited by its loyal customers. In the CMO’s own words, “We’re at a place where everything is driven by the customer and driven by data.”

Discussion Question:

1. **Describe how Sally Beauty uses the four steps of the CRM process.**

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Are “Employee of the Month” Programs Worth It?

Tom Ryan, Retail Wire, April 11, 2017

Use with Chapter 16, “Managing the Store”

A common sight, often at the entrances of stores, is a board emblazoned with the title “Employee of the Month,” sporting a picture of a chosen employee underneath. But regardless of how common they are, do such efforts to praise and inspire retail employees really work?

The goal of employee-of-the-month programs is to reward hard work and inspire similar efforts among the rest of the staff. Some programs offer mainly public recognition, such as a picture on the wall. Others might add a cash bonus. In addition, beyond just general hard work, many programs seek to inculcate particular values or initiatives. For example, a restaurant looking to increase dessert purchases might offer a special “dessert seller of the month” award temporarily. Other specific rewards might acknowledge which cashier smiled at the most customers, or which stock room clerk moved goods onto shelves most efficiently.

As long as the programs have such clear-cut standards, they appear likely to work. But in many cases, they have not been well defined, such that employees remain unsure of exactly what they need to do so become employee of the month. In that situation, the accolade creates a risk of resentment too, because others might wonder what left them less deserving than a colleague who seemingly has not done much that is special. Accordingly, some firms make sure that everyone is named the best employee at least once, which takes away from the meaning of the award.

Another challenge to such programs is the inability to reward team effort. If a group of employees comes up with a great new retail display or develops an innovative way to serve customers as a team, who gets the recognition? The very presence of individual rewards might discourage team efforts. It also may lead managers to assume they do not have to provide more extensive performance feedback.

To address some of the problems, some retailers have introduced a democratic approach, such that all employees vote on who will receive the monthly award. Another option is to enhance the fun aspects, turning the award presentation into a game that brings a sense of enjoyment to the process, such that the game is more to the point, rather than just the reward.

Discussion Questions:

1. **What are the advantages and disadvantages of employee-of-the-month programs?**
2. **What are the characteristics of a good employee-of-the-month program?**
3. **If you were running a retail enterprise, would you have an employee-of-the-month program?**

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Should the Same-Store Sales Metric Be Retired?

Tom Ryan, Retail Wire, April 10, 2016

Use with Chapter 6, "Financial Strategy"

Retailers have long used a comparison of sales, in the same store, for the same quarter, but in different years, to assess their performance. If sales in that same store rose in the third quarter of 2017, compared with 2016, then it must be doing something right. If they fell, it would need to figure out why and resolve the problem.

Yet after years of use, this metric might have outlived its usefulness in an omnichannel world. Because it only includes sales within the store, it cannot account for some of the beneficial effects that store operations can have, such as recruiting hesitant new shoppers or giving online shoppers a source for in-person information. It also ignores sales journeys that start in stores but conclude on other channels. By failing to acknowledge those influences, retail managers might mistakenly think they need to change the store radically, when in truth, it might be driving overall profits, through the combination of channels available to consumers.

Some analysts thus are calling for an end to the same store sales metric, to be replaced with other measures that more accurately reflect the current retail environment. One option is to consider sales within the same trade area. Thus, the retailer would measure sales of a particular trade area, regardless of the channel through which they occur, which can clarify segment-level performance data.

Another alternative would measure brand performance across channels by integrating multiple measures. For example, retailers might combine their profit figures across store and online channels, while also integrating information about labor costs and benefits, to reflect the contributions that store employees can make for consumers.

Such suggestions make the alternatives sound appealing, but finding a true, accurate measure of what is driving performance and shoppers remains elusive. Linking all the retail touchpoints and determining how they are influencing shoppers in combination is "the Holy Grail for retailers." It is also a pursuit that they cannot afford to give up.

Discussion Question:

1. **What is the same store sales measure?**
2. **For what is the same store sales measure used?**
3. **What is the inherent weakness of the same store sales measure?**
4. **What financial measure could be used in place of same store sales, and why is it better?**

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What Will the Fourth Industrial Revolution Mean for Retail Supply Chains and Jobs?

Ron Margulis, Retail Wire, April 7, 2017

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

Industrial revolutions by definition alter the structure of global economies, making existing jobs obsolete and introducing new technologies that change, among other things, the face of employment. The modern industrial revolution, according to some observers, is the one that links automation with the Internet of things. In this new Industry 4.0, many jobs will be performed by machines, leaving a new set of employees without many job prospects.

For example, if new technology can sense the level of freshness of produce, it can select, pack, and ship it faster and more accurately than farmhands. If cranes can automatically weigh shipping containers, they can balance them appropriately on ships, which should reduce logistics costs but also may put shore workers out of a job.

Such developments require some advance planning if mass unemployment is to be avoided. However, planning along these lines is challenging, because no one can tell precisely what Industry 4.0 will look like or how it will affect individual industries. For workers, the best bet may be finding a way to market themselves as problem solvers, rather than laborers. Even the most advanced technology cannot surpass human intuition for certain tasks. In the retail sector, that might mean ensuring that the human touch remains a priority in every step of the supply chain—whether in early logistics, packing in the middle, or connecting personally with customers.

Discussion Question:

1. **What impact will Industry 4.0 have on the extended retail supply chain?**

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Is the Time Right for Publix to Begin a Major Rollout of Its GreenWise Stores?

George Anderson, Retail Wire, April 4, 2017

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

When the Publix grocery store chain (which started in Florida and has recently expanded throughout the southeastern United States) introduced its GreenWise organic concept a decade ago, it took a multi-pronged approach. It added some GreenWise products to its regular stores, but it also opened a few dedicated GreenWise stores. The prediction was that it would continue along these lines, but instead, it stayed where it was for a while.

That has changed now, as Publix announced the opening of the fourth GreenWise store and its "reignited" effort to scout out other possible locations. In the announcement, Publix acknowledged that its previous attempts did not quite live up to expectations, but through its experience, lessons learned, and customer feedback, it predicts its success this time around.

Although the organic market has grown, some big names in the organic grocery sector, including Whole Foods, have suffered several quarters of declining sales. In this sense, the GreenWise expansion could be a case of either ill-timed shortsightedness or a perfectly timed opportunity. Whole Foods and other high-end organic grocers have gained a reputation for being expensive, such that consumers seemingly are turning to their conventional stores, which offer some organic options at a lower cost. But perhaps the struggles signal that consumers are not quite as interested in organic options as might be anticipated.

Discussion Question:

1. **Who are GreenWise's major competitors?**
2. **How will GreenWise's expansion affect the market for grocery products?**

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Sam’s Says It’s Scoring with Club Pickup

James Tenser, Retail Wire, March 29, 2017

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

For many, grocery shopping is an onerous chore. Packed aisles and long check-out lines are common complaints raised by shoppers in industry surveys. Retail giant Sam’s Club thinks it has the solution to such woes, for business owners and busy families alike, with a new array of click-and-collect and grocery pick-up services. The chain actually contends that these new services are simply an extension of an existing program, in place for more than 15 years for its business customers. Thus, it believes it has both the experience and the new online tools that will enable it to meet the varied needs of its busy customers in the best way possible.

The new e-commerce engine and mobile application will allow Sam’s Club to move forward with ambitious plans to roll out its new click-and-collect pick-up services in stores nationwide. Customers use the website or mobile application to submit their orders online, set a specific pick-up time, and pay for the selected items. When the designed window of time arrives, the customer can pull into one of the new, convenient, curbside parking spaces, and a Sam’s Club employee will load the customer’s order into his or her car. The chain reports that these “service encounters” can be completed in as little as 30 seconds, and there is no limit to the types of items that may be purchased through this program. From sofas to frozen shrimp, Sam’s Club is able to deliver it all, right to your (car) door.

In addition to this focus on curbside service, Sam’s Club also continues to find ways to enhance the in-store shopping experience for customers that want to purchase items the old-fashioned way. All stores nationwide now have Scan & Go checkout lanes, which allow customers with a few items to move through the checkout process faster. Initial shopper satisfaction scores for this new self-check-out option are high, leading Sam’s Club to cheer the enhancement as both a money-saving option and a customer-focused improvement that will help it to keep prices low and continue to win the loyalty of its club members for years to come.

Discussion Question:

1. **What are the advantages and disadvantages of Sam’s Club Pickup, from Sam’s and customers’ perspectives?**

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How Will Automation Transform Selling Floor Jobs?

Tom Ryan, Retail Wire, March 28, 2017; see also Chris Dieterich, "Jobs in Retail Are Vanishing Quickly," April 7, 2017

Use with Chapter 16, "Managing the Store"

Despite the bright florescent lights, a growing cloud of uncertainty hangs over the retail industry and dims the bright prospects of this sector. Workers in the retail and wholesale trades face increasing pressure as such jobs are lost to automation. In February and March 2017, the U.S. retail industry experienced the largest two-month decline in jobs since 2009. Brick-and-mortar stores continue to face pressure from online retailers, and employers are shedding jobs to try and remain profitable in the face of this competition. Whether they can succeed remains to be seen.

Already more than 2,880 retail stores have closed in 2017, up sharply from 1,153 stores that closed during the same period in 2016. If this rate of store closures continues, the retail sector could ultimately see a loss of 8,600 stores this year, far exceeding the peak closure rate of 6,163 stores that occurred during the financial crisis in 2008.

Analysts fear that these large structural shifts in the retail sector are likely to continue too, and retail workers will be the hardest hit by the changes that result. A new report from PwC indicates that 44 percent of U.K. workers are a risk of losing their jobs to automation by the early 2030s. Jobs that rely heavily on social skills are generally less at risk of such losses, but many lower skilled retail jobs, such as cashiers and warehouse employees, face an astounding 97 percent probability of being replaced. Store owners, especially of small businesses, are much more insulated from the risk of automation, with only a 16 percent probability of being replaced.

Faced with such dire predictions, some governments are already attempting to tackle this potential issue by implementing legal and regulatory hurdles to help slow job automation. However, higher employee wages and other market pressures continue to make it profitable for retailers to invest in new automation technology. For now, robotics and artificial intelligence seem to be winning the war in the retail space.

In addition, even as some analysts are raising the alarm, others predict the future may not be quite so dire. Overall employment rates in the United States are currently at some of the highest levels ever. Although retail jobs are being lost at a high rate, the displaced employees are currently able to find work elsewhere. The productivity boost provided by automation also might drive these workers into more highly skilled positions that cannot be automated, which generally pay better and add extra wealth to the economy.

For now, consumers can expect to see and interact with more automated features at their favorite restaurant or retail establishment. Whether this trend toward automation ultimately will be a positive or negative step forward for the economy remains to be seen. At the very least, perhaps your drive-through order will finally be right.

Discussion Questions:

1. **How will automation change retail jobs in the future?**
2. **What are the advantages and disadvantages of retail automation from the retailer's and the retail employees' perspective?**

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Will Struggling Retailers Find New Lives as Pure Play E-tailers?

Matthew Stern, Retail Wire, March 24, 2017

Use with Chapter 3, "Multichannel Retailing"

What is the best way forward in today's changing retail environment? That is the question that many brands are asking. Some online-only retailers, such as Amazon, are rolling out ambitious plans to open new brick-and-mortar locations; other popular retailers are moving out of malls and into the e-commerce sphere.

Two well-known clothing brands, Bebe and Kenneth Cole, recently announced that they would be closing most or all of their physical U.S. locations to focus instead on their online presence and international stores. This announcement will affect more than 170 locations in the United States; it also will be yet another blow to shopping malls, which already have been suffered through the exits of other popular chains, such as The Limited, Wet Seal, and BCBG Max Azria.

For many brands, shedding the brick-and-mortar division has obvious benefits. Savings can be immediate, by eliminating rental fees and reducing the number of employees. However, there are other challenges that these brands will face when they attempt to compete solely as an e-tailer.

First, online giant Amazon has conditioned consumers to expect free shipping and fast delivery options, and these benefits often cannot be replicated by other brands in a cost-effective manner. Second, customers expect free or low-cost return policies, so that they can return items if the size is wrong or the garment has flaws. These costs can largely offset or even exceed the cost that some retailers were paying in rental fees, suggesting that an online-only strategy may not the ultimate cost-saving solution it initially seemed to be. Third, customer brand loyalty and finding a particular e-commerce niche are keys to long-term success as an e-tailer, so these brands will need to work hard to ensure their clothing can still hang with the competition.

Discussion Questions:

1. **Which mall retailers are closing their stores in favor of online-only?**
2. **Why have they closed their stores?**
3. **What mall stores, if any, do you think may follow this trend?**
4. **How has your shopping behavior changed in the last two years regarding mall versus online?**

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Can Nordstrom.com Compete on Experience Over Price?

James Tenser, Retail Wire, March 24, 2017

Use with Chapter 3, "Multichannel Retailing," and Chapter 18, "Customer Service"

Online retailers have spoiled consumers with low prices, free shipping, and fast delivery. With such benefits, traditional brick-and-mortar stores with an online presence have struggled to compete in the e-commerce space, often relying on the in-store experience to help build consumer loyalty. Nordstrom.com is one such retailer, and the brand has proposed a bold new plan to marry its online storefront with an innovative new way to use its physical presence. The retailer hopes this effort will allow it to differentiate its brand from the competition and attract high-end consumers that value a VIP experience, along with the convenience of online shopping.

Nordstrom's new pilot concept store in the Seattle area will offer customers a shopping experience that combines an online interaction with an enhanced in-store shopping experience. The Nordstrom's website or mobile application will allow users to create a digital closet of items. Once the customer's selection is complete or the session is ended, an e-vite is automatically generated, suggesting a visit to the new concept store. If the user accepts the invitation, the digital closet items are placed in a dressing room before the customer arrives. The customer receives a personalized, in-store experience where she or he can view all of the items in the digital closet, as well as any add-ons the salesperson may suggest. Visits can be quick and efficient, or the customer can peruse the brand's available selection for additional items. Purchases are then made in person, saving Nordstrom the cost of packaging and shipping the items.

Nordstrom also has invested in new technology to facilitate this more streamlined and unified customer experience. It hopes this new idea will pay off with increased sales and new loyal customers. Nordstrom has also rolled out its technology offering to its 3,000 brand partners, hoping to keep these products affiliated with its brand and potentially attract new partners that can add new variety to the portfolio of products that Nordstrom can offer to consumers.

Discussion Questions:

1. **What is Nordstrom doing to compete online?**
2. **Would these services be sufficiently advantageous to you, so as to overcome Nordstrom's premium prices?**

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Will Customer Tracking Help Save Shopping Malls?

Matthew Stern, Retail Wire, March 23, 2017

Use with Chapter 8, "Retail Site Location," and Chapter 15, "Retail Communication Mix"

Shopping malls continue to grapple with the problem of declining store performance and the loss of well-known brands. In the past year, many retailers have shuttered brick-and-mortar storefronts and moved their operations online. Concerned mall facility owners are turning to new technologies, designed to help revive shopper interest and keep complexes in the black. However, as is so often the case, the promised gains of the new technology come with a host of negatives that make real-world applications problematic. In particular, shopping malls must carefully weight their growing need against the potential backlash that might result when if shoppers sense that their movements are being tracked and manipulated. But if used correctly, such technological advancements may be just what is needed to help revive the industry and keep shopping malls going strong.

Most of the new technology designed for mall facility owners focuses on customer tracking through smartphone monitoring. Using this technology, users can track a shopper's specific behavior, as well as the overall traffic patterns that emerge as crowds move among stores. Information about the amount of time that a device stays in one store or a complete history of the customer's shopping destinations during each encounter also can be saved. These data then can help landlords better determine where to place retailers within the mall for shopper convenience or plan facility layouts designed to bring shoppers further into the complex, where they have an opportunity to interact with more stores. One new mobile application called StepsAway even allows retailers to push discounts and promotions automatically to shoppers' cellphones, without any need for the mobile users to install an application first. Such promotions might effectively encourage users to visit a new store or stop by a favorite destination as soon as the user enters the mall.

The degree to which customers will be comfortable with such tracking software will vary; however, among Millennials, more than 50 percent confirmed that tracking via Wi-Fi and mobile devices is tolerable, according to a 2015 survey conducted by MaxMedia. Mall owners also will need to consider how the data are used and stored, taking particular precautions to keep these data out of the hands of potential hackers. Such data breeches often result in long-term public relation consequences, which can easily overturn any customer gains attained from the use of the technology.

Discussion Questions:

1. **How are mall owners using customer tracking?**
2. **How do you feel about having your location tracked when you're in a mall?**

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Amazon's Ambitions Unboxed: Stores for Furniture, Appliances and More

Nick Wingfield, The New York Times, March 25, 2017

Use with Chapter 2, "Types of Retailers," Chapter 3, "Multichannel Retailing," and Chapter 5, "Retail Market Strategy"

With a current market value of over $400 billion, Amazon is the undisputed king of online retailers. After successfully beating back other brands that have attempted to compete in the e-commerce arena, it also is giving brick-and-mortar retailers a new reason to be concerned: Amazon is looking to develop its physical store presence. The retail giant hopes to win over customers with new, and sometimes unconventional, ideas, designed to change the shopping experience overall. Through these efforts, it also hopes reach an untapped market of consumers who remain hesitant to shop online.

The grocery sector, a $770 billon dollar retail category, is a particular market that Amazon has ambitious plans to attack. Its current online grocery offering, AmazonFresh, has struggled to achieve profitability. Issues with ordering and delivering fresh meats and produce continue to hinder the overall success of the endeavor. Amazon hopes the secret to success in this area may be the growing India market. Most Indians currently do their grocery shopping with street vendors, often finding subpar produce and dusty cuts of meat for sale. Emboldened by the Indian government's new efforts to promote foreign investment to help strengthen the country's food chain, Amazon has plans to spend billions of dollars in India to help change the way this country shops for food. Amazon's first grocery store in India is slated to open in Bangalore, and it hopes that many additional store locations will follow.

In addition to these international expansion efforts, Amazon is testing several new grocery concept stores in the United Sates. The company continues to work to perfect its cashier-less Amazon Go convenience store experience, which uses tracking software to charge a customer automatically as items are removed from shelves and taken out of the store. The company also is in the process of opening a few initial drive-up grocery concept stores, called Amazon Fresh Pickup. These stores allow customers to order products online and then drive up to the store for curbside service. Another new Amazon concept store would give customers a means to make in-person selections of produce, meat, and fish, but still have other grocery items saved on their shopping list to be fulfilled by a warehouse worker. Thus the picky consumer could peruse and make careful selections of more perishable items, but an employee could grab the dry goods, offering added convenience compared with a traditional grocery store encounter.

In addition to new inroads to the grocery market, Amazon is exploring several innovative ideas that would marry the online shopping experience with a brick-and-mortar presence. Current online customers are wary of purchasing large-ticket items such as furniture and home appliances, so Amazon is considering opening up product showrooms where such items could be viewed and tested in person. Customers then can order the products, either in the store or at home later online, for home delivery.

Another innovative store idea would emerge as a sleek, high-tech electronics store, similar to Apple Stores. Electronic Amazon devices such as the new Echo smart home speaker could be displayed and purchased. The company also continues to invest in its physical book stores, having recently opened a fifth location in Chicago.

With so many new and innovative ideas for physical storefronts, Amazon seems poised to capture a significant number of consumers looking for physical store experiences that are convenience driven. One thing is for sure though: Brick-and-mortar retailers need to get ready to compete now, if they hope to survive in the future.

Discussion Question:

1. **How is Amazon using technology in the bricks and mortar arena?**

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Why Costco Loves Store Sales: You Try Shipping a Tub of Mayo

Sarah Nassauer and Laura Stevens, The Wall Street Journal, April 5, 2017

Use with Chapter 2, "Types of Retailers"

With a loyal customer base and an virtual empire of successful warehouse club locations, Costco is not sure that it needs to join the fray of retailers competing for online customers. The retailer prides itself on cycling through different products, helping meet customers' changing needs and creating a "treasure-hunt" atmosphere that keeps customers coming back for more. Customers may arrive with a list of needed items in mind, but they also discover new, unexpected items as they weave through the aisles. Costco also benefits from a general lack of online competitors: Amazon.com Inc. has struggled to offer bulk items to its customers at a competitive price, and the new online player Boxed.com is still too new to be considered a real threat.

Does that mean that wholesale chains are somewhat insulated from the other market pressures being felt by most physical retailers? Costco believes so, at least for now. Its strong in-store sales support this belief, even as many other brick-and-mortar brands continue to struggle.

Still, Costco has made some concessions to online sales in recent years. Its website offers only some items for purchase, ensuring customers still shop in store for the best selection. Smaller items such as jewelry and clothing are available for purchase online, and some limited bulk items are also made available for purchase—often at a higher cost, to make up for the more expensive shipping they require. Non-members pay a higher price to shop online compared with non-members, which Costco hopes will drive new customers to purchase an annual membership and, eventually, come in to a store to shop in person.

In the rapidly, constantly changing retail environment, wholesale chains currently seem in agreement about working to promote in-store sales instead of investing in online sales. Both BJ's Club Inc. and Sam's Club also currently focus on driving customers to stores. The shipping costs associated with the products available for purchase are the largest barrier to profitability, and not one of the three big players have figured out how to overcome this hurdle for their online customers. For Costco though, the in-store experience enhances its brand in a way that an online experience could not match. For now, it will leave the online sales to the competition and instead invite customers to come hunt though the aisles.

Discussion Question:

1. **Should Costco expand its online presence? Why or why not?**

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Retail Tidbits

Can Amazon Cash Open E-Commerce Up to Millions of Underbanked Consumers?

Matthew Stern, Retail Wire, April 6, 2017

For approximately 51 million Americans, access to conventional banking services is challenging or even nonexistent. These "underbanked" consumers often lack any sort of saving account, whether because their employment is unsteady, they distrust banking systems, or for various other reasons. But paying for everything in cash means that these consumers also are hindered from shopping online, a situation that online retailers hate to see. Accordingly, Amazon has initiated a new Amazon Cash program, which allows consumers to visit a local CVS or Speedway store, make a cash deposit, and thus open a linked Amazon account, equal to the amount of the deposit. In turn, they can enjoy the convenience and competitive prices of Amazon, without needing to rely on conventional forms of credit. Furthermore, Amazon will not charge for this service, which sets it apart from some previous attempts to access underbanked consumers. For example, PayPal My Cash similarly allows people to deposit cash through convenient locations such as 7-11 stores, but it charges a $3.95 fee for each transaction. By adding preloaded cash to its payment methods, Amazon can not only benefit an underserved segment of consumers but also potentially transform them into loyal customers.

Survival of Sears and Kmart Is in Doubt, Owner Warns

Carlos Tejada, The Wall Street Journal, March 22, 2017
See also "Sears and its Hedge Fund Owner, in Slow Decline Together," James B. Stewart, The Wall Street Journal, March 30, 2017

In a line that caught nearly everyone's attention, the holding company that owns both the Sears and the Kmart retail chains announced in a recent mandatory filing with the Securities and Exchange Commission that "Our historical operating results indicate substantial doubt exists related to the company's ability to continue as a going concern." That's a remarkable admission and a pretty clear signal that the continued efforts by Sears Holding Corporation to cut costs, divest product lines and property, and seek new financing options have not worked as well as expected. Even after years of aggressive moves along these lines, Sears Holding Corporation lost $2.2 billion last year, bringing the total losses for the past three years over the $5 billion mark. Yet the ownership—led by a superstar hedge fund manager named Edward S. Lampert, who brokered the deal to combine Sears and Kmart in the last decade and now manages Sears Holding himself—insists that it can still make the retailer work, mainly by cutting costs even further. For external observers, that confidence looks a little bit like hubris, and several commentators note that skillful investing is very different from effective retail management. Without any retail experience, Lampert seemingly has tried to run the company by applying hedge fund principles, rather than recognizing the unique requirements of retailing.

How Target Botched Its Response to the North Carolina Bathroom Law

Khadeeja Shafer, The New York Times, April 5, 2017

The blog post was not inaccurate, nor did it announce any change in policy. And yet, simply by mentioning transgender issues, Target found itself in the midst of a public relations firestorm that took the top executive of the chain by surprise. In response to the controversial North Carolina state law (since overturned) that required people to use bathrooms that correspond to their gender at birth, regardless of their current identification, some Target store managers asked for clarification of the chain's policies. Target provided internal memos, assuring these managers that its policy was the same as it always had been: Employees and customers were welcome to use the bathroom that corresponded with the gender with which they identified. But then it went a step further and published a blog post reiterating this support, somehow without ever notifying the CEO that the post was going up online. For protesters who consider transgender rights and accommodations problematic, publicizing this position led them to boycott the store, cutting up their Target cards in protest. At the same time, transgender rights groups praised Target for taking a stand. The overall impact on Target's sales is not completely clear, but ultimately, the difficulty appears to be that Target's internal communications were insufficient. The CEO now mandates that any public comment on controversial topics go through him first.

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