October
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COMMENTS? CONTACT US

Newsletter for Instructors

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

- Will a Window to Disneyland Bring Disney Fans to the Mall? **(Chapters 4 & 17)**
- Will Centralized Buying Make Whole Foods a More Formidable Competitor? **(Chapter 9)**
- Is the Time Right for Kroger to Go Hyper-Local? **(Chapter 2)**
- Will a New Lunch Menu Make Starbucks a Food Giant? **(Chapter 12)**
- Will Others Follow Neiman Marcus' Return to a Full-Price Focus? **(Chapters 2 & 5)**
- Nordstrom Tries a No-Merchandise Store **(Chapter 6)**
- Best Buy's Secrets for Thriving in the Amazon Age **(Chapter 5)**
- How Grocery Giant Aldi Plans to Conquer America: Limit Choice **(Chapters 5 & 12)**
- The Toys 'R Us Bankruptcy: An Analysis **(Chapters 5 & 6)**
- H&M Hit by Discounting, Slowness to Embrace Digital **(Chapter 5)**
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Retail Tidbits

- Jet.com Is Stepping Out of Walmart's Shadow
- Target to Boost Minimum Wages in Battle for Store Workers
- Where Retail Is Going Now

If you are interested in the text book please visit **www.mhhe.com/levy9e**. Simple registration is required to gain access to the newsletters and other instructor materials. If you would like to see this newsletter and the previous editions, go to:
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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**

Will a Window to Disneyland Bring Disney Fans to the Mall?

Matthew Stern, Retail Wire, September 28, 2017

Use with Chapter 4, "Consumer Buying Behavior" and Chapter 17, "Store Layout, Design, and Virtual Merchandising"

Not everyone can get to one of the Disney theme parks to watch their daily Main Street parades. But most consumers can find a local mall with a Disney store, and if a new pilot program proves successful, they soon might be able to watch a live feed of the parade and enjoy at least a portion of the experience. The in-store innovation places huge video screens—called "windows"—that live stream the events on Main Street, including the popular parades, allowing shoppers to get a feel for the park while they purchase new toys and clothing items.

The effort comes in response to the trends affecting nearly all mall inhabitants. Malls simply are not drawing as many customers, so the stores within them need to come up with clever approaches to bring shoppers to their doors. For Disney, which already knows a lot about the importance of an enjoyable experience, linking its stores to a new form of entertainment seems like a viable option.

To match the focus on experiences, the pilot stores also plan to stock cotton candy and Mickey Mouse ears, just like visitors can purchase at the theme parks. Observers suggest it could go even further, such as by developing interactive screens to allow Disney fans in stores to chat with fans in the parks. The stores also promise new events and experiences, such as the option for consumers to host their own birthday party on site, attended by Disney characters.

Thus far the experiment has been limited to just a few stores. But the early evidence indicates that dozens of people actually plan their visits to the stores to coincide with the high point of the daily parade. If a live feed helps people feel as if they are getting the Disney experience, it bodes well for getting them in the store.

Discussion Questions:

1. **What stage in the buying process might be affected by these new windows?**
2. **Will these new windows have a positive effect on sales? Why or why not?**

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Will Centralized Buying Make Whole Foods a More Formidable Competitor?

Tom Ryan, Retail Wire, September 26, 2017

Use with Chapter 9, "Human Resource Management"

When Amazon purchased Whole Foods, everyone knew that changes were coming. A recent shift in strategy involves the way Whole Foods procures and buys the products on its store shelves. Rather than localized purchases by regional managers, the grocery chain plans to centralize most of its buying, moving more decision-making power to the national office.

There are several goals for such a shift. In particular, centralized buying saves money. Standardization is less expensive than customization, and the Amazon-owned version of Whole Foods likely needs to cut costs to remain competitive. Furthermore, Whole Foods promises that the new buying tactics will help ensure that each store has an appropriate product mix, spanning both small niche brands and large national brands.

In addition to this centralization, Whole Foods plans to eliminate the common presence of individual brand representatives from the aisles of its stores. Previously, local and small brands often sent representatives to a nearby store, who would then give away free samples, share their new or niche products with shoppers, and teach store employees about the products. But Whole Foods determined that these in-store demonstrations were not sufficiently effective for driving sales and instead proved distracting, such that store employees might spend more time chatting with the brand representative than restocking shelves.

The concerns surrounding such moves stem from their potential to eliminate the benefits of customization, some of which are key to Whole Foods' market appeal. For example, the chain has long worked to build its reputation as a place where local vendors can gain access to an interested buying public. Although the company is quick to emphasize that such providers are still "crucial" in the stores' product mix, taking buying power away from local management likely makes that effort harder.

In combination with the elimination of local brand representatives in stores, this shift seems likely to transform Whole Foods into a more conventional source for widely available groceries, rather than a quirky store that stocks products produced by the tiny farm just across town. Whole Foods promises though that its own employees will take over this role and introduce shoppers to less well known brands.

Thus the question of what Whole Foods will look like, now that it is an Amazon company, continues to be prominent. How much will change, and how much will stay the same?

Discussion Question:

1. **What are the advantages and disadvantages of centralized buying?**
2. **Is Whole Foods' move toward centralized buying beneficial or detrimental to the firm? Justify your answer.**

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Is the Time Right for Kroger to Go Hyper-Local?

Tom Ryan, Retail Wire, October 2, 2017

Use with Chapter 2, "Types of Retailers"

While Whole Foods is centralizing, Kroger is reemphasizing what it calls its long-standing commitment to local purchasing and customized assortments. In particular, its latest website (Kroger.com/WeAreLocal) seeks to appeal to both supplier and consumers by highlighting Kroger's commitment to local sourcing.

One section of the site helps local suppliers register to gather information about how they can enter into a partnership with Kroger. Another section lists detailed, specific information about the suppliers that it already purchases from, giving consumers insights into the sources of the products they might find on store shelves. The third section of the website proclaims and demonstrates Kroger's corporate social responsibility, noting the methods the grocer has implemented to combat food waste, reduce hunger in communities, and participate in sustainable transportation and logistics operations.

The local-focus site launched just one day after Whole Foods, recently purchased by Amazon, announced its plans to centralize buying, in an effort to lower its prices and make its assortment more affordable for shoppers. Whether coincidental or not, the timing gave Kroger a means to differentiate itself clearly. Thus a Kroger spokesperson could tout Kroger's record, over many years, of working with local product suppliers to match the unique local preferences of customers in each store. It also could acknowledge the "headlines about making local, natural and organic foods more affordable," then throw a little shade by noting, "The truth is, we've always been affordable."

Discussion Question:

1. **Is Kroger's "local" strategy part of the locavore movement?**
2. **How will Kroger's new strategy affect your grocery shopping habits?**

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Will a New Lunch Menu Make Starbucks a Food Giant?

George Anderson, Retail Wire, September 21, 2017

Use with Chapter 12, "Managing the Merchandise Planning Process"

One way to grow sales is to open more stores. But Starbucks has nearly reached saturation on that path, so it is taking a new approach, by seeking to get its existing customers to visit the same stores, just at different times. Whereas early morning hours are nearly always busy—more than half of all consumers visit their local coffee outpost before 11:00 a.m.—Starbucks perceives plenty of room for growth at the lunch hour.

Accordingly, the coffee chain is expanding its menu, focusing mainly on food items that can satiate a hungry consumer on her or his lunch break. The new menu, currently available on a test run in about 300 stores in Chicago and Seattle, takes the name Mercado, which means "market" in Italian. With 18 items, both hot and cold, the new menu revolves around sandwiches and salads.

Of course, this is not the first time Starbucks has played around with its food menu. It expanded its pastry offerings and purchased the San Francisco–based pastry company La Boulangerie to supply stores nationwide. In international operations, Starbucks also has invested heavily in an Italian baker called Princi and plans to add its products to stores in Italy and China.

Despite some missteps that prevented wider rollouts of food items, Starbucks confirms that food now accounts for approximately 20 percent of its sales. It also has a program in place to donate any unsold food at the end of the day to the Feeding America charity, a program that will apply to its Mercado menu as well.

But more food also means more work for employees, who must ensure not only that the latte has the right amount of foam but also that the tahini salad is fresh. Such expanded operations also could be challenging for smaller stores, which may lack the storage or kitchen facilities needed to support such a relatively extensive menu.

Discussion Question:

1. **Is Starbucks expanding its variety, its assortment, or both?**
2. **What other restaurant chains have successfully pursued a strategy similar to the one that Starbucks is trying now?**
3. **What are the advantages and disadvantages of Starbucks's new strategy?**

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Will Others Follow Neiman Marcus' Return to a Full-Price Focus?

Jasmine Glasheen, Retail Wire, September 20, 2017

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

The trends are evident: A few years ago, seemingly every high-end retailer was opening an off-price chain, selling exclusive merchandise at discount prices. But today, the pendulum has swung back, and many of these retailers are closing up shop, at least in their off-price locations.

The latest to do so, Neiman Marcus will shutter more than one-quarter of its Last Call stores, going from 37 to 27 outlets. In doing so, it hopes to leave more resources available for the full-price stores under its primary brand, as well as optimize its off-price channel. Such outcomes in turn support its broader, newly revised strategy to dominate luxury retail markets.

Others preceded it, including Barneys New York, which closed many of its off-price stores several months ago. For Barneys, getting out of the discount business reflects its shift in strategy, back to what it considers its classic business model. In particular, it plans to focus more on ultra-exclusive merchandise. If it can stock just a few, rare versions of an appealing designer's handbags or couture, which upscale, prestige-oriented shoppers will never find anywhere else, "we are not forced to mark it down."

Retailers are not the only ones to exhibit this reversion to luxury; brands such as Coach and Ralph Lauren similarly are working to regain their high-end reputations and eliminate, or at least minimize, sales of more affordably priced options.

For consumers, the shifts suggest a potential loss, in that they will have less access to the off-price channels. But it also appears as if consumers are the ones leading the change. That is, retailers are closing these stores in some cases because sales have slowed in them. Thus it might be that it is the consumers who create the trends, and the retailers that simply follow where those shoppers are leading.

Discussion Questions:

1. **Why are Neiman Marcus and other luxury retailers closing their off-price stores?**
2. **Do you agree with this strategy? Why or why not?**

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Nordstrom Tries a No-Merchandise Store

George Anderson, Retail Wire, September 12, 2017

Use with Chapter 6, "Financial Strategy"

Sipping on some sparkling water or wine in a comfortable sitting area, surrounded by dressing rooms but not any racks of clothing, shoppers might not quite recognize that they have entered a Nordstrom store. But the Nordstrom Local innovation aims to alter that view, in an effort to ensure that customers receive the convenience, pleasant experience, and stellar service that will bring them back, again and again.

The Nordstrom Local concept invites customers in to the inventory-free locations, where they can interact with personal stylists and perhaps try on a few (not-for-sale) items. If they find something they like, they can order it through the stylists or online, then have them delivered to a nearby Nordstrom store, the Local outpost, or their homes. If they place the order before a certain time, they are guaranteed the ability to pick up their clothing the same day.

The only version thus far is in West Hollywood, Calif., so it is surrounded by nine nearby Nordstrom stores. Accordingly, staffers at the 3000-foot Nordstrom Local store can readily run out to pick up items that a customer might want to try on. In addition to this service, it will provide alterations as needed, curbside pickup, and a manicure station.

Before visiting Nordstrom Local, if consumers plan to consult with a stylist, they can call or go online to make an appointment. If they simply walk in, there will be some shop attendants available to assist them too. Then these visitors are encouraged to adopt Nordstrom Style Boards, a digital tool that shoppers can use to ask direct questions of their stylists or that stylists can use to post recommendations for the shoppers they have come to know.

Discussion Questions:

1. **How will the strategic profit model ratios for Nordstrom Local differ from a traditional Nordstrom department store?**
2. **How is Nordstrom Local's business model different from Bonobos'?**

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Best Buy’s Secrets for Thriving in the Amazon Age

Kevin Roose, The New York Times, September 18, 2017

Use with Chapter 5, “Retail Market Strategy”

Why is Best Buy still in business? Most trends have suggested its downfall for years, from the dominance of Amazon to the loss of money-making markets for physical DVDs and CDs. Yet blue-shirted employees still course around busy stores, helping the customers who are flocking to popular technology items. The reasons for its success, while competitors have failed, span five key notions, as proposed by the company’s CEO Hubert Joly.

To start, it prices aggressively. When confronted with Amazon’s growing power, Best Buy realized that it needed to match the online giant’s prices, on every single purchase. If it could not, shoppers had no reason to buy in stores. Instead, Best Buy would be subjected to the threats of showrooming. Therefore, even though the practice is costly, Best Buy always matches the price for items sold on Amazon as well.

But Best Buy also recognized that it was not Amazon, so it could leverage an asset that that company lacked: customer service. The technology retailer already had established its popular Geek Squad, which for years had been helping consumers with pesky products and challenging in-home installations. It thus expanded the idea, offering extended training to salespeople so that they could help customers more readily in the stores. In addition, it initiated a new service, in which experts will visit consumers’ homes before they come to the store, to devise a home entertainment plan and develop product recommendations in advance.

Related to this focus on customer service, when Best Buy went to cut costs, it did so without ever imposing huge layoffs or widely publicized firings. Taking a more subtle approach, the company reassigned some redundant employees to other jobs, and it eliminated a middle management layer. Furthermore, the focus was less on staffing costs; for example, Best Buy consolidated international operations and allowed leases on some unprofitable stores to expire.

Strategic store closings have supported another element of Best Buy’s business plan, which reorients the function of brick-and-mortar stores, to make them showrooms that can ship. That is, Best Buy carefully reviewed its logistics and distribution plans, then revised them to ensure that when people place orders, the products get shipped from the nearest location. Some items will come from centrally located warehouses, just as they always have. But others, available in a local store, will get shipped from that store to customers’ homes, or else held for the customers to come pick up in store. This alternative supply option now supports approximately 40 percent of Best Buy’s online sales.

Finally, Best Buy got lucky. Competitors such as Circuit City exited the market more quickly, leaving it as nearly the only option for shoppers to visit if they want to check out a big screen television or home appliance in person. In this position, it also could enter into collaborations with popular brands such as Apple and Microsoft, which happily insert their latest products into the stores for people to try. This tactic involves a bit of luck too, because Best Buy has benefitted from the continued appeal and rapid innovations in its product markets.

Such luck cannot hold forever, so CEO Joly is quick to point out that the company has no arrogance about its future survival. Rather, he plans to continue implementing the factors that have made it successful so far, while also hoping that the lucky streak continues.

Discussion Question:

1. **Why is Best Buy successful in competing against Amazon?**
2. **Choose another retailer and apply Best Buy’s success factors to it. Are its success factors transferable to other brick-and-mortar retailers?**

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How Grocery Giant Aldi Plans to Conquer America: Limit Choice

Zeke Turner, The Wall Street Journal, September 21, 2017

Use with Chapter 5, "Retail Market Strategy," Chapter 6, "Financial Strategy," and Chapter 12, "Managing the Merchandise Planning Process"

Aldi is notoriously close-lipped about its strategy. From its earliest days, the corporate structure has been designed to avoid requirements that it publish its earnings information or details about how it functions. But as the German discount retailer continues to grow, spreading across the globe, some outsiders have figured out at least a few of the tactics that have made it such a success.

It begins with cutting costs. The Albrecht brothers, the company's founders, have been described as obsessive when it came to reducing costs, across the board. Employees were expected to reuse scrap paper and turn off office lights on sunny days—decades before such ideas became popular pursuits of the environmental movement.

Although those elements were important, they were not the key to cutting costs though. That key comes from limiting the assortment in stores, severely and aggressively. Aldi's stores stock, on average, 1300–1600 items. By way of contrast, conventional supermarkets tend to carry 20,000–50,000 products, while a Walmart Supercenter might have as many as 120,000 items on hand. With the belief that "Nobody needs 50 different types of toilet paper," Aldi strictly limits its assortment.

In so doing, it can devote more attention to ensuring that the products it stocks are of high quality. It performs constant quality checks and frequent taste tests, so that even when the prices are absurdly low, the quality of the products is enough to attract shoppers. People with less disposable income like Aldi because they can get what they need at a low price; people with more income still shop there too, because they can get great products that likely are not available elsewhere. One poll of German consumers thus indicated that 95 percent of blue-collar and 88 percent of white-collar workers shopped at Aldi.

With the limited assortment, Aldi also keeps its stores smaller, rather than having to invest in massive, warehouse-style locations. Such operations come at lower costs, but they also enable the retailer to close locations that might be less profitable and find alternatives more easily than big box competitors can.

Such single-minded pursuit of cost cuts means that its prices are substantially lower than virtually any other grocer can achieve. A market basket analysis showed that Aldi came in 17 percent below Walmart on a collection of frequently purchased items. It also has meant persistent growth, such that the company plans massive expansions throughout the United States, enough to make it the third-largest U.S. chain (behind Walmart and Kroger). Will American shoppers embrace the aestheticism of Aldi in the same way that its German home market has? Most evidence is promising—including the retailer's proven ability to sell a 12-pack of diet cola for just $2.25.

Discussion Questions:

1. **Perform a comparison of Aldi, Whole Foods, Costco, and Kroger, and answer the following questions:**
    a. **How do they compare on variety versus assortment?**
    b. **How do you expect their strategic profit model to work?**
2. **Do you expect Aldi to be successful across the United States? Why or why not?**

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The Toys ‘R Us Bankruptcy: An Analysis

Michael Corkery, “Toys ‘R’ Us Files for Bankruptcy, Crippled by Competition and Debt,” The New York Times, September 19, 2017; Michelle Ma, “Toys ‘R’ Us Bankruptcy Poses Challenge for Toy Makers,” The Wall Street Journal, September 19, 2017; Lillian Rizzo and Suzanne Kapner, “Toys ‘R’ Us, Once a Category Killer, Is Forced into Bankruptcy,” The Wall Street Journal, September 19, 2017

Use with Chapter 5, “Retail Market Strategy,” and Chapter 6, “Retail Financial Strategy”

A wide variety of factors led Toys ‘R Us, the well-known toy retailer, to file for Chapter 11 bankruptcy recently. Most of those factors are clear. But what will happen to the retailer in the aftermath of this strategic choice remains vastly uncertain.

Toys ‘R Us was challenged, of course, by the growth of competitors such as Amazon and Walmart, which sold toys, along with thousands of other products, often at lower price points. Parents could conveniently grab a doll for their child or pick up a baby gift for a friend, at the same time as they were shopping for groceries or a new shirt. Thus fewer of them were willing to make a separate trip to Toys ‘R Us, leaving the specialty retailer with declining sales.

To deal with this competitive environment, Toys ‘R Us sought funding from various sources, including venture capital firms. That step, though logical at the time, also left the retail chain with a massive debt load that hindered its ability to be nimble and adjust to changing needs and shifting tastes. As a result of this debt load, it found itself unable to pay suppliers such as Mattel and Lego, which slowed or halted shipments to stores until they were confident that they would be paid for the toys they already had placed on shelves.

It had become a negative spiral, so Toys ‘R Us sought bankruptcy protection, which allowed it to attract approximately $3 billion in financing to support its operations. The vendors are being paid, and toys are again flowing in to stores. Moreover, Toys ‘R Us has asserted that it has no plans to close any of its approximately 1600 stores, seeking to make sure that consumers still have a place to go to find a wealth of toys and children’s products.

But bankruptcy proceedings often lead to unforeseen outcomes, such that the retailer might be forced to close some stores in the near future, if it cannot attain a profitable position. Furthermore, the disruption to its supply chain means that its inventory is somewhat precarious, in the months leading in to the holiday shopping season. And of course, the competitive dynamics that started all these recent developments continue to impose pressures; people still like grabbing the latest toys on Amazon and having them delivered to their doors.

Discussion Questions:

1. **Why did Toys ‘R Us enter into Chapter 11 bankruptcy?**
2. **How are its strategic profit model financial ratios affected by this action?**
3. **What can Toys ‘R Us do to return to profitability?**

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H&M Hit by Discounting, Slowness to Embrace Digital

Dominic Chopping and Saabira Chaudhuri, The Wall Street Journal, September 28, 2017; see also Stephen Wilmot, "H&M's Old Formula Needs a New Look," The Wall Street Journal, September 28, 2017

Use with Chapter 5, "Retail Market Strategy"

In a nutshell, H&M needs to sell more. After years of glowing reviews, popular embrace, and successful operations, the Swedish clothing retailer is struggling, caught in an outdated approach that belies its reputation for speed and fast fashion.

In particular, H&M has been terribly slow to embrace online operations, despite the vast evidence suggesting that omnichannel approaches are a requirement for modern retailers. The reason for the slow embrace of online channels is closely related to H&M's persistent advantages. That is, it invested everything into supply chains that enabled it to get products into stores faster than anyone else. This fast fashion concept held great appeal, but shoppers want to be able to pick up the latest looks online, as well as in stores. By failing to invest quickly enough in the online option, H&M fell behind competitors with better established online presence, from Zara to Amazon to ASOS.

As sales dropped in stores, H&M thus had little recourse. Faced with way too much inventory, it had to slash prices drastically to try to move items. Such big markdowns meant that it earned far smaller margins, and its net profit fell by approximately 20 percent.

According to some observers, the prospects for the company are not much better. Although it has embraced a digital presence, H&M still plans to open nearly 400 new stores in the coming year, suggesting that its focus remains on the brick-and-mortar channel. Arguing that the CEO Karl-Johan Persson has not done enough to change the situation, one commentator notes that "With its global scale and net cash position, the company has the foundations to mount the necessary turnaround. Whether it has the will is another question; Mr. Persson needs to be much bolder."

Boldness in this realm implies challenging some of the key factors that enabled H&M to become such a force in clothing retail. But not being bold might mean losing any position in this highly competitive market.

Discussion Questions:

1. **Perform a SWOT analysis on H&M.**
2. **Would you invest in or want to work for H&M? Why or why not?**

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Amazon Doesn’t Need to Make Money on Groceries, Putting Pressure on Walmart, Kroger

Heather Haddon and Laura Stevens, The Wall Street Journal, September 28, 2017; see also Ben Eisen, “Whole Foods Price Cuts Spurred a Temporary Jump in Foot Traffic,” The Wall Street Journal, October 3, 2017

Use with Chapter 5, “Retail Market Strategy,” and Chapter 14, “Retail Pricing”

Nearly the first thing Amazon did after completing its purchase of Whole Foods was to announce that it would be cutting prices on dozens of staple products. This shot over the bow was a clear signal to competitors that the new partnership aimed to take over the grocery market. It required a response; the question now is whose strategy will prove successful when all the dust settles.

Amazon’s approach is to accept losing money for a while, to attract shoppers to Whole Foods stores and alter their behavior, such that they become accustomed to shopping there. Such outcomes also should prove beneficial for the larger company, because customers loyal to the grocery arm likely will visit Amazon first when they need other products and services too. Ultimately, if it can keep up the pressure, it can eliminate competitors from the market, rather like it did to Borders in the book market.

The margins on grocery products already are razor-thin, so few other chains can match Amazon on price over time. The competitor most likely to be able to do so is Walmart, which expressed confidence in its ability to survive this shift in the market. It pointed to its long-standing dedication to low prices, its experimentation with expanded service offerings (e.g., curbside pickup), and its investments in new online partners such as Jet and Bonobos as reasons for this confidence.

At Kroger, the plan is not to change anything too fast, though it will increase its investments in technology. Furthermore, it has expressed willingness to sacrifice some profits, in some markets, on some items, if doing so will keep customers shopping at its stores.

Rather than prices or channels, Target plans to meet the challenge head on, by expanding the number of grocery items it stocks in stores. It has invested in new market research to define its assortment better, and it added several veterans from the grocery sector to its executive ranks, in an attempt to gain expertise and insights into this portion of the consumer market.

It’s still too early to tell, of course, but some early evidence implies that this radical alteration to the market might not be as radical as expected. In the week after the takeover, foot traffic in Whole Foods stores jumped by a remarkable 17 percent. But just a couple of weeks later, that increase had fallen to 4 percent—still notable, but not game changing.

Perhaps even more interesting was the announcement that Amazon had sold $1.6 million worth of food products with the Whole Foods brand. Thus it may be that the goal is to drive traffic to Amazon, not to Whole Foods. In that case, the tactical strategies of the various competitors in the grocery market might need to shift, yet again.

Discussion Questions:

1. **How will Whole Foods compete under Amazon’s ownership?**
2. **How will its major competitors react to the new Whole Foods?**
3. **Have you shopped at Whole Foods since Amazon took over? Do you find any differences? Have your shopping habits changed as a result?**

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Retail Tidbits

Jet.com Is Stepping Out of Walmart's Shadow

George Anderson, Retail Wire, September 29, 2017

When Walmart purchased Jet.com for $3.3 billion, it hoped to expand its reach and appeal to a wider set of consumers. Accordingly, its strategy for Jet is distinct, focused on upscale goods that hold appeal for "metro millennial" shoppers. For example, it will bring in menswear from Bonobos and organic produce (as well as dozens of other high-end household items) under a new grocery private label that it will call Uniquely J. But it is still a Walmart company, which means that it prioritizes pricing decisions. To get shoppers excited about its options, Jet will offer a 5 percent cashback bonus for orders placed during September and October, such that people can earn up to $50 in credit that they can apply to holiday purchases from the site. Thus the company hopes to have it both ways: Attract a new market of hip shoppers while staying true to its loyal cohort of price-driven customers.

Target to Boost Minimum Wages in Battle for Store Workers

Khadeeja Safdar, The Wall Street Journal, September 25, 2017

Normally when we mention retail competition, we are referring to the pursuit of customers. But retailers also have to compete on another field: in the pursuit of great employees. When unemployment rates go down (as they are currently), that competition becomes even fiercer. It is especially challenging in the months heading in to the holiday season, when retailers must add thousands of temporary workers to their employment rolls, in both stores and distribution centers, to meet customer demand. Thus Target recently announced that it would be increasing the minimum wages that it pays the people who work in its stores immediately, to $11 per hour. Then in coming years, it will increase the rate even further, ultimately planning to reach $15 per hour within three years. These rates reflect broader changes at the state level, where some states have passed legislation requiring similar minimum wages (though the federal minimum remains $7.25). It also signals a response to Walmart, which announced its own $10 minimum about a year ago. Currently, the average hourly wage earned by all retail workers in the United States is $15.35—approximately 10 percent higher than five years ago. But if good workers continue to have various opportunities to get hired, those rates might just continue to climb as retailers seek new ways to differentiate themselves as the best, or at least the most lucrative, places to work.

Where Retail Is Going Now

Richard Kestenbaum, Forbes, October 3, 2017

In a recent industry report, what stands out is how critical smaller, nimble retailers are to defining the changing face of retail. Larger, conventional retailers cannot quite keep up, leading to a new context that will influence consumers and their consumption for years to come. For example, e-commerce and m-commerce are old school; the latest element is voice commerce, which can happen literally anywhere. Consumers simply call out what they want, and technologically advanced tools like Alexa or Google Home place the order for them. Because this route is simple and intuitive, it has grown rapidly, creating new challenges for retailers and brands that need to find a way to appeal to consumers without any visual means of communication. They also have to figure out how to take payment without requiring consumers to do pretty much anything. With their focus on an appealing, convenient, and easy experience, consumers are not willing even to have to reach for their wallets. Instead, they want enjoyable experiences, such as festivals and augmented reality games, especially if those experiences can be hyper-personalized and individual for each person. Although most of these changes are coming from the smaller, nimble actors in the market, that does not mean that any player can count out the big names, like Amazon and Walmart. Both of these retail giants have committed to embracing an experience approach, supplemented by advanced technology and intuitive methods for consumers to obtain the products they want. But changes keep coming, so perhaps someday even that status will be different.

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