Newsletter for Instructors

September
2016

COMMENTS?
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- Canadian Retailers Consider Overhauling Employee Commissions After Growth of Online Sales **(Chapter 16)**
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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**

What's Holding Back Scan & Checkout?

Matt Ryan, Retail Wire, July 18, 2016

Use with Chapter 3, "Multichannel Retailers"

Long-standing promises and visions suggest that someday, consumers will be able to walk through grocery stores, scan items as they put them in their shopping baskets, and pay virtually, without ever having to stand in the checkout line. Various trials have been undertaken, by multiple retailers. But for some reason or another, the rollout in reality keeps getting delayed. Why is that?

Part of the hindrance is technical. The Scan It! app that Stop & Shop introduced recently requires a connection to the store's wifi, a connection that often fails, leading consumers to assign it relatively poor ratings on the Google Play review site. Imagine the frustration associated with going through the entire store and filling your cart, only to lose the connection and all the saved prices just as you head toward the exit.

Compatibility might be another challenge. Some of the apps are designed only for Android or for Apple devices. Although the Scan & Go mobile app from Sam's Club earns high ratings for its performance, it only works on iPhones currently. Still, the new offering suggests some promise, and a new store that is set to open in South Carolina will be fully equipped with the mobile checkout capability.

Another factor is the users themselves. When Walmart introduced a similar Scan & Go app in 200 of its stores, shoppers indicated that they could not figure out how to use it effectively, leading Sam's Club's sister company to halt the trial. Kroger also has switched from a scanner system to a mobile app version, in the hopes that it will work better for shoppers.

If the technology works, and if it is compatible with a shopper's device, and if the shopper finds it easy to use, the promise of mobile scanning is immense. No more checkout lines would save shoppers time and frustration, while also enabling retailers to cut their labor costs. If only all those "ifs" would align at the same time, in the same app.

Discussion Questions:

1. **What is holding back scan & checkout technology?**
2. **Would you use this technology if you could? Why or why not?**

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Pokémon Go Showcases Potential of Augmented Reality in Retail

Glenn Taylor, Retail Wire, July 18, 2016

Use with Chapter 3, "Multichannel Retailing"

Here's a quick question: If you could make a $10 investment and increase your retail sales by an estimated 75 percent, would you? The answer seems simple, and hundreds of retailers have adopted the promising approach. But there are others that actively avoid and even ban the investment on their property. What could prompt such divergent reactions? Pokémon Go, of course.

Since the app landed this summer, Pokémon Go has been downloaded by more than 15 million consumers. These players actively seek out Pokéstops and Pokégyms, many of which are located in malls and stores, in addition to public settings like parks and landmarks. Accordingly, some retailers have entered into sponsorship agreements, drawing hundreds of customers in search of rare monsters in their stores. For one New York pizzeria, investing just $10 to make its location a Pokéstop increased its sales by 75 percent in just one weekend's time.

For malls, the promise seems even greater. Malls depend heavily on foot traffic metrics; the more people walking through the mall, the higher rents they can charge to tenants. Faced with years of declining performance, many malls are embracing the virtual reality promise and inviting players in, with the hope that they will look up from their phones at least once in a while, to notice the retail offerings on display around them. One T-Mobile store took the link even further, hanging an attention-grabbing sign in the windows of its mall location that encouraged consumers to get a new phone that would help them use the Pokémon Go app more effectively.

Yet some retailers dismiss the connection to the app as bad for business. People's general annoyance at the players who often fail to pay much attention to the real world around them might represent a negative effect on other consumers in the store setting. Non-players thus might avoid a store that actively invites more Pokémon-glazed wanderers and get in the way of their efficient shopping tasks.

Still, the vast success of the app suggests that even if the immediate fad fades, the application of augmented and virtual reality has some interesting implications for retailers. For example, one Woolworths in Australia used each Pokémon capture in its store as a reason to connect on Facebook with the player who caught the monster. Moreover, the popularity of the simple, straightforward game app may offer some lessons to retailers that dream of having similar levels of engagement with their customers. Developing strong game apps that are specific to a retailer might cost more than $10, but the returns might be unsurpassable too.

Discussion Questions:

1. **How can retailers leverage the Pokémon Go fad?**

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Canadian Retailers Consider Overhauling Employee Commissions After Growth of Online Sales

Ross Marowitz, Financial Post, July 18, 2016

Use with Chapter 16, "Managing the Store"

In an omnichannel world, how can retailers fairly and effectively compensate their salespeople? The question requires reconsideration, especially in settings that pay sales staff commissions on each sale they facilitate. In a traditional, in-store interaction, commissions encourage sales staff to interact with customers, provide them with great customer service, and ensure the sale gets completed. But the traditional model is less effective when customers prefer to interact with product reviews online, exploit service provision without being willing to pay more for it, and insist on finalizing the sale when and where they want.

These omnichannel consumers often research their purchases online, before they come in the store—if they come at all. If they buy online, the retailer has no good means to allocate the commission. But for many retailers, their compensation system is designed to ensure that each sale leads to a commission being paid. For an e-commerce interaction, should it go to the website designer, the local branch, or an online sales rep who might have answered a question through a chat function? Furthermore, if shoppers do their research online and then visit the store to buy, the sales clerk who rings them out has likely done little to facilitate the sale. Thus, the very purpose of the commission gets lost, which is inefficient and ineffective for the retailer.

Other customers instead seek out service in the store, gathering insights and information from the professional sales staff, but then buy online or through some other, less expensive channel. This showrooming is a prevalent challenge, particularly when it comes to compensation. A great sales clerk might provide stellar service, detailed information about the product, and a compelling sales pitch. But if consumers come into the store only to try out the item, planning in advance to purchase the product online and have it shipped to their homes, no amount of effort will produce a sale in the store. Here again, the commission structure cannot encourage the type of behavior that the retailer wants to solicit, because salespeople have little reason to devote effort to serving customers who might just leave and order online.

Retailers thus are retooling their commission structures. Some stores rely on team-based rewards, so all sales associated with the store go to the team of sales clerks. With this approach, the retailer can assign purchases by customers in each store's radius, whether made online or in person, to that store and thus reward salespeople for helping the local customers who wander through the doors. However, such programs might encourage free-riding, such that some salespeople earn the benefits of their colleagues' hard work without engaging in much effort themselves.

For smaller and luxury retailers, it also may be possible to assign each sales clerk to specific customers, such that every time Customer A makes a purchase, through any channel, Salesperson A earns the commission on that sale. Such options are unrealistic for larger or general merchandise retailers though, especially those in which salespeople need to help customers whom they do not know and have never seen before.

Other retailers have moved away from commissions altogether, turning to other methods such as training to encourage salespeople to provide the best service. But in some industries, commissions are used so widely that employees expect them, so the shift might make it difficult for retailers to attract sufficient, highly qualified salespeople.

Discussion Question:

1. **What impact do online sales have on in-store sales?**
2. **How does this impact affect retail salespeople?**
3. **What should retailers do to address the issue?**

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Wal-Mart's Online Marketplace Picks Up Sellers and Momentum

Fareeha Ali, Internet Retailer, July 19, 2016.

Use with Chapter 3, "Multichannel Retailing"

It may be walmart.com, but on the retailer's site, customers can shop the offerings of hundreds of retail sources, in a new development that reflects Walmart's continued efforts to expand its online presence and leverage the retailer's superior analytical and supply chain capabilities.

The expanded marketplace options on walmart.com include approximately 600 external merchants, though that number continues to grow. These merchants usually represent specializers in their particular product offerings: Christmas Central, for example, sells mainly holiday-themed items, with about 109,000 stockkeeping units in its assortment. Although it sells on several other marketplaces as well, such as Amazon and eBay, Christmas Central has found its greatest success through Walmart's website.

The reason for this success likely has to do with the benefits that Walmart offers, including ship-to-store options and the availability of nearby store locations to visit in case of any problems. When they place orders through Walmart's website, customers can rest assured that they can have the product delivered to their local store, then check its quality before taking possession. Thus if the color or size ordered from the external merchant is not quite right, they can leave the products with a Walmart sales clerk for return, without having to deal with it themselves.

Another source of advantage comes from Walmart's strong ability to work behind the scenes and make it easy for its partner retailers to sell through its site. In particular, in collaborations with several marketing and technology firms, Walmart has created means for retailers to provide their specific product data automatically to Walmart, for updating and analysis. Furthermore, they can link their own e-commerce methods to Walmart's site through the available technology. Such efforts are resonant with Walmart's famous collaborations with consumer goods companies, such as Procter & Gamble, in which the partners share their data to ensure their strategies are aligned and offering the best value to consumers.

It also applies a vetting process to all potential retail partners, to confirm that they are a good fit for Walmart's customers. For example, it checks the seller's prices, in comparison with those of competitors, to ensure that anything being sold through walmart.com fits with the broader goal of offering everyday low prices and strong value to customers.

Walmart rolled out its marketplace capabilities relatively slowly, causing some experts to worry that it would never be able to catch up to rivals such as Amazon and eBay that have long supported independent retailers' sales efforts. Indeed, while Walmart seeks to hit 1000 merchants on its site, Amazon already has about 2 million, and eBay features more than 25 million separate sellers. But the slow rollout and extended trial period also has enabled Walmart to ensure that its technology resources are sufficient to make the process easy, safe, and valuable for both its retailer partners and its customers.

Discussion Questions:

1. **How does Walmart's online marketplace work?**
2. **Do other retailers have similar programs? If so, which ones?**

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Birkenstock Quits Amazon in US After Counterfeit Surge

Ari Levy, CNBC, July 20, 2016

Use with Chapter 13, “Buying Merchandise”

Counterfeiting is a serious problem for well-known and reputed brands. So serious, in fact, that it is causing Birkenstock, the famous maker of sandals beloved by hippies and fashionistas alike, to turn its back on Amazon, the world’s largest retailer.

In a careful strategic move, Birkenstock informed Amazon that it would be rescinding its permission to sell its legitimate products on the site, explaining that the rash of counterfeit options available through the online retailer make it impossible to compete effectively. The counterfeits mainly come from sellers in China, which sell the fakes for about $20 less than the retail price of a pair of legitimate sandals.

However, consumers have little way of knowing whether the shoes that pop up on their Amazon page are real or fakes, unless they look closely at the seller. Amazon lists all the options together, and Birkenstock argues that in so doing, it is failing to address the problem of illegal counterfeiting. Furthermore, in its distribution centers, Amazon often combines the products it receives from various sellers, such that even if a consumer pays to get the actual product from Birkenstock, there is a risk that he or she would be delivered a fake.

Noting Amazon’s continued refusal to “maintain a fair and competitive environment for all,” Birkenstock wrote a scathing and critical letter and took the bold step of removing itself from the retailer website altogether. The move is likely to lead to a drop in sales, but it might help the brand in the long term, by ensuring its high quality reputation.

Amazon’s proposed solution to the problem of counterfeiting is to offer to purchase the entire catalog of concerned sellers. For some merchants, this option is appealing, such that they simply hand over their e-commerce collections to Amazon, which becomes the sole seller. But for a privately owned brand with as much history, name recognition, and cache as Birkenstock, giving up so much control was untenable. The move also gives the company the clear ability to identify fakes: Anything sold on Amazon after the drop date is not a true Birkenstock.

If Birkenstock’s risky move proves successful, other brands might follow. But Birkenstock USA’s CEO also notes, mournfully, that by leaving the site, the brand is “leaving the Amazon marketplace to counterfeiters, fake suppliers and unauthorized sellers.” The reputation problems caused by counterfeiting thus might ultimately be a problem not just for brands but for Amazon as well.

Discussion Question:

1. **Why has Birkenstock refused to sell to Amazon?**
2. **What can Amazon do about it? What should it do?**

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City Hall Offers $3 Million to Grocery Stores Willing to Open in Southern Dallas "Food Desert"

Robert Wilonsky, The Dallas Morning News, July 15, 2016

Use with Chapter 7, "Retail Locations"

When the Dallas City Council voted to grant Costco $3 million to open a new store in the area, an interesting amendment appeared in the legislation too. Beyond encouraging the retailer to come, city council members voted to make another $3 million available to any grocery retailer that would agree to located on the south side of the city, a section that has been designated a food desert, because of the lack of accessibility to fresh food options that it offers.

In a food desert, residents live more than a mile from a grocery store that sells a full spectrum of food options, including fresh fruits, vegetables, meats, and dairy. Most food deserts are in low income areas, such as southern Dallas, and they leave residents with the terrible choice of either getting their groceries from convenience stores—which are more expensive and normally limited to unhealthy and highly processed products—or else finding a way to drive, walk, or take public transportation over long distances to visit a full-service grocery store in another area.

The Dallas initiative seeks to offer monetary incentives as one element of a broader plan to encourage the development and health of the southern part of the city. The money might be appealing, but retailers would remain unwilling to invest if the surrounding infrastructure cannot support their continued success. In addition, grocery stores have specific location requirements, including a space large enough to hold not just the building but also sufficient parking for shoppers. They also consider questions such as population density; in less populated areas, it may be hard to convince a grocer that it could survive the "desert." Furthermore, some stores simply refuse to locate in areas inhabited mainly by lower income consumers, sometimes due to an unethical bias, but also in response to considerations about the amount of income these shoppers actually have to spend with the retailer.

Thus the council has issued the promise for the incentive money. But it also needs to address housing and other infrastructure issues. The challenging is getting the first piece to fall into place. People don't want to move to a food desert until a grocery store is available; grocery retailers don't want to enter the area until enough people live there. Dallas hopes that $3 million will be enough to tip the scales.

Discussion Question:

1. **What is a "food desert"?**
2. ***Why do they exist?***
3. ***Why is Dallas willing to offer incentives to help eliminate the problem?***

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Amazon: 7,000 Blue-Collar Employees Have Trained for Careers Outside the Company

Ángel González, Seattle Times, July 21, 2016

Use with Chapter 1, "Introduction to the World of Retailing," and Chapter 9, "Human Resource Management"

Whereas most retailers seek ways to retain their employees, Amazon is taking a longer view by encouraging its workforce to gain further education that will enable them to pursue other careers, often external to the company. The education incentives that Amazon offers focus on jobs that experience substantial demand in the U.S. economy, such as nursing, accounting, and commercial driving. In this sense, Amazon appears to be doing its part to contribute to the advancement of the economy, while it also helps its employees advance on their own.

The Career Choice Program that Amazon offers is available to all employees who have been with the company for at least a year. They can take courses that lead to certification in high-demand fields, and Amazon agrees to pay 95 percent of the costs. It also prepays the tuition, rather than requiring employees to pay the fees upfront and then get reimbursed after they finish the course.

Many of Amazon's approximately 240,000 employees work in its warehouses, performing mostly blue-collar job tasks. But in the modern economy, blue-collar workers are struggling to earn living wages and job security. Advances in robotics and automation suggest that even Amazon's vast workforce might face mass layoffs at some point in the not-so-distant future. The Career Choice Program, which got off the ground in 2012, seeks a proactive solution to this concern, because it encourages workers to learn new skills, even as it enhances their loyalty and commitment to the current employer that is making this learning possible.

In adjusting the program to better meet students' needs, Amazon increased the total amount of tuition available for each attendee to $12,000. It also has added classrooms to some of its warehouses, to make it easier for workers to gain access to educational programs. A firm initiative also mandates that every new warehouse it builds will include some classrooms, indicating Amazon's long-term commitment to the program.

As a result, the 7,000 former warehouse employees who now earn a higher wage working as health care professionals, truck drivers, pharmacy technicians, IT specialists—to name just a few—are likely to be joined by other graduates of the Amazon school of continuing education. Amazon also has made information about the Career Choice Program available to other companies, so they could start their own classrooms and tuition incentives, if they chose.

Discussion Questions:

1. **What unique benefits does Amazon offer its employees?**
2. **What are some advantages and disadvantages of this program?**

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Sephora Is Driving Mobile Ads with Tinder-Like Features and Digital Mad Libs

Lauren Johnson, Advertising Age, July 21, 2016

Use with Chapter 3, "Multichannel Retailing," and Chapter 15, "Retail Communications Mix"

Sephora already has a sophisticated multichannel retailing strategy in place, leveraging its stores, website, and mobile apps in enviable ways to appeal to customers. This status resulted from the beauty brand's consistent efforts to ensure that it appears everywhere its customers go, and those efforts have not slowed down in the slightest, as some of Sephora's latest marketing innovations reveal.

For both its website and its mobile app, Sephora was looking for a fun way to engage its shoppers, and it noted the dating app Tinder as an inspiration. Thus it developed a function that allows consumers to "swipe" on a particular product, shade, or style they like, which narrows down their search options and leads to product recommendations. Scanning through more than 1000 photographs of products bearing Sephora's private-label brand, users can swipe left on a bright pink lipstick shade or swipe right on a sparkling blue eye shadow, then complete the purchases they prefer without ever leaving the site.

The idea initially was simply to use Tinder as an inspiration, but it seemed to work so well that Sephora also expanded the usage and entered advertising for its new "swipe it, shop it" function onto Tinder itself. People looking for love might also run across branded cards for Sephora, which they can swipe to get taken to the site, register, and receive a free sample.

For consumers who are a little leery of Tinder-like options, Sephora has another, old school–inspired option. By filling in the blanks in a simple "beauty uncomplicator" function on the mobile and Internet sites, users receive a Mad Libs–like response that recommends the kinds of products likely to appeal most to them. For example, if a user's answers to the beauty uncomplicator suggest a strong interest in smoky eyes, the site gathers together suggestions for the right shadows, liners, brushes, and mascaras to make it happen.

The promotions of these new facilities appear not just on Tinder and the mobile sites but also in stores. That's part of Sephora's strategy too; it might be fun to play Mad Libs with makeup, but it also wants to ensure that it's fun to come in to stores and play with the makeup in person. As Sephora expands its private-label offerings and initiates its largest advertising campaign in its history, it is approaching the effort with careful forethought. One senior vice president for the brand explains, "This is an example of not just having a marketing campaign, but thinking about a full client experience.".

Discussion Questions:

1. **Describe Sephora's new mobile and multichannel strategy.**

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Patagonia's Balancing Act: Chasing Mass-Market Appeal While Doing No Harm

Erica E. Phillips, The Wall Street Journal, August 17, 2016

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

Hikers, adventurers, and even just folks who want a good jacket have long trusted Patagonia to provide high-quality gear that will stand up to the elements, last for years, and allow them to feel good about their socially responsible consumption. These habits are largely based on Patagonia's clear promise to customers: It vows to "cause no unnecessary harm" in its ongoing efforts to "build the best product."

But sometimes missions are easier to state than they are to fulfill. For Patagonia, the challenge has been that it builds such good products that the company is growing. Growth creates expanded supply chain needs. For example, Patagonia spent three years developing a new woolen long underwear line that proved extremely popular with customers in cold weather climates. Thus its demand for wool expanded, leading the company to enter into a contract with a network of 160 different wool suppliers from South America. Such an expansive network makes it extremely difficult to monitor all the practices of all the farms raising the sheep that provide the wool. But if Patagonia also promises to cause no harm, then it must be responsible for that monitoring, as PETA pointed out when it captured video of terrible animal abuses at some of the farms that provided the wool for Patagonia. The brand agreed; it dropped its contract with the wool supply network, halted production on its new long underwear line, and sought new sources for wool. But how many sales did it lose in the process?

By establishing its broad, "do no harm" mission, Patagonia essentially promises to be socially responsible on every level, even if it is not primarily an animal welfare organization, for example. Thus when evidence surfaced that the geese that supplied down for its jackets also were sources of foie gras for a totally separate company, observers held Patagonia responsible. In this case, its supply chain in no way encouraged the force feeding of the geese. Whether fat or thin, geese provide the down that Patagonia was purchasing. But it was supporting, even if indirectly, a practice that many people regard as ethically indefensible, creating another challenge for the company.

Nor are the challenges limited to animal welfare concerns. Labor issues affect Patagonia, as they do most clothing brands that outsource their production to global factories. For Patagonia, a key ethical challenge arose when it discovered that workers had been required to pay bribes before they could get work in its Taiwanese factories. Although Patagonia responded by reimbursing the workers for any of the unethical bribes they were forced to pay, the incident raised renewed awareness of the difficulty associated with keeping track of the ethical practices adopted in each factory or farm around the world.

Patagonia has implemented new, more stringent standards and policies in its supply chain, including a collaborative effort to establish a "Responsible Wool Standard" for the entire industry. Yet the ethical difficulties appear poised to become even more intense, because Patagonia still is making the best products. Its profits have tripled in the past few years, meaning that it needs to keep expanding its supply chains to ensure it has enough products to satisfy these customers, seeking the best options that it has promised them.

Discussion Question:

1. **What is Patagonia's mission statement?**
2. ***Has it been successful in fulfilling its mission? Why or why not?***
3. ***What is it doing to address the situation?***

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Is Fast-Fashion Slowing Down?

Tom Ryan, Retail Wire, June 22, 2016.

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

The industry is still healthy and growing. But are some recent signals—including slightly slowed growth and a few store closings—the canaries in the coalmine for fast-fashion retailers?

Consider a few observations in the industry. First, whereas H&M has enjoyed growth rates of 10–15 percent in the past few years, in a recent quarter, those rates slowed down notably. That is, sales still grew, but not as much as expected, which led some observers to express concerns about potential cannibalization effects. Second, Uniqlo closed five stores within the first seven months of 2016, mostly in suburban locations. Third, Forever 21 also closed several of its biggest stores while simultaneously slowing down its expansion efforts. This retailer cited the bankruptcy of one of its suppliers as a reason, but the result was still shrinking sales.

Still, other fast-fashion retailers continue to succeed; Zara enjoys consistent growth rates, for example. Analysts also offer a range of potential explanations for these shifts in the retailers' strategies, from their poor match with suburban markets to an overall trend of low consumer spending in apparel in recent months.

But even if these explanations are legitimate and reasonable, they introduce some questions about the business model. For example, can fast-fashion expand beyond city centers into suburbs, or is its growth limited to urban locations? In a sense, fast-fashion retailers must continue to open new stores in new markets, because more stores help spread the costs of the local distribution centers that enable these retailers to get fresh products into their stores so frequently. If they expand too quickly though, they might be forced to pull back when revenues fail to support the continued expansion.

Finally, the drive toward sustainability in wider consumer culture stands directly in contrast with the premise of fast fashion. If a shirt costs only $5, buyers might come to realize that it is unlikely to have supported a living wage for the laborers who helped make it. They also might start to question the ethics of replacing an entire wardrobe each season. These latter factors have always been a challenge for fast fashion. The question is whether additional, new challenges are rising fast enough that the combination of effects will slow this retail sector so much that it stops flying altogether.

Discussion Questions:

1. Why are some fast fashion retailers not performing as well as they have in the past?

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Former Toys ‘R’ Us Store in Times Square Is Being Re-Imagined

Hannah Furfaro, The New York Times, July 13, 2016

Use with Chapter 8, “Retail Site Location”

The Bow Tie Building in Times Square in New York City has a long and storied past. That history has become clear once again as the massive building undergoes its latest renovation, changing out one major retail brand for two others as residents in the process. The shifting retail tenants both reflect and encourage changes in the surrounding areas that have redefined its appeal for various retailers.

The lower levels of the excavated building display an orchestra pit, from when the building housed a live theater, as well as terrazzo tiles from when it contained a movie theater—among the first in the country to screen talkies with sound. In those early days, Times Square was an entertainment mecca, where people from the city and around the world might come to catch a show and enjoy the city.

In the later part of the twentieth century though, Times Square underwent a decline, and most of the tenants were driven out of the Bow Tie Building. But when the city focused on transforming Times Square into a family-friendly tourist spot in the early twenty-first century, it was able to attract Toys ‘R’ Us into the 160,000-square-foot space. The toy retailer installed a massive, animatronic Tyrannosaurus Rex; a 65-foot Ferris wheel; and huge models of toys, candies, and other childlike wonders suspended from the ceiling. The arrival of this retailer helped bring families to the site, with benefits for local tour operators, nearby retailers, and restaurants that could enjoy the overflow of these appealing consumer targets.

But Toys ‘R’ Us recently left, making room for new Gap and Old Navy store openings. Both brands are owned by the same company, and the large retail space offers the vast appeal of being able to house flagship stores for both of them in one building, without feeling cramped in any way. These tenants are slated to open their stores in early 2017, but for now, the big old building is solely a construction site, with little benefit for neighboring retail businesses.

Discussion Question:

1. **How does the changing history of an area affect which retailers desire to locate there?**
2. **What kinds of neighboring retailers might benefit from the arrival of Gap and Old Navy stores in the Bow Tie Building in Times Square?**

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Retail Tidbits

Amazon Tiptoes into Banking Business Through Student Loans

Annamaria Andriotis, The Wall Street Journal, July 21, 2016

In an innovative collaboration with Wells Fargo, Amazon will offer student subscribers to its Prime service access to discounted loans that they can use to pay for college. Whereas federal student loans all offer the same interest rate, private lenders such as banks can charge varying rates. Therefore, Amazon and Wells Fargo will promise Prime members that they can save a half a percentage point off the going rate if they take out their loan from the service. The agreement between the retailer and the service provider took several years of negotiations, and the multiyear contract promises to make the loans available for an extended period, especially if the options prove popular among students. Thus, for the cost of their Prime membership (which is lower than the cost for traditional consumers), college students can save not just shipping costs on their textbooks but also a substantial amount of interest over the life of their loans.

7-Eleven Makes History with Consumer Drone Delivery

Tom Ryan, Retail Wire, July 25, 2016

Delivery services of the future apparently are going to involve a lot of junk food. The first legally approved delivery by drones has occurred, from a 7-Eleven in Reno, Nevada, to a local customer hungry for doughnuts, a Slurpee, and some sandwiches. The resident, a family with working parents and three children, loved the convenience of the delivery option, and 7-Eleven loved the idea that it could expand its delivery options. Currently the convenience store has some limited capabilities through traditional delivery methods, but for this experimental approach, it teamed with a drone company called Flirtey. Flirtey took care of getting FAA approval for the drone's flight path. Thus the delivery was legal and convenient for all involved, leading 7-Eleven to offer promises that someday soon, its entire product assortment would be available for delivery to customers' houses. Here come the Slurpees!

Amazon Wants to Use Lampposts, Churches as Drone 'Perches'

Arjun Kharpal, CNBC, July 19, 2016

In additional drone news, Amazon has received a patent for its design for docking stations that it hopes someday to install on electric posts, cell towers, buildings, and other tall structures, where its army of delivery drones can rest en route to their destinations. Although the technology covered by the patent is still mostly theoretical, the idea is that in the future, when Amazon relies on drones for most deliveries, those machines will need places to recharge. The efficiency benefits promised by drones would disappear if they could not fly long distances and instead required Amazon to build distribution centers throughout the country. In addition, the docking stations might provide a sort of mini-distribution center themselves, where if needed, local drivers could gather products for the last leg of the trip. In the patent, the docking stations possess communication capabilities as well, such that drones could "learn" from the interconnected stations whether they might be flying toward bad weather and where different machines are located. Even as the FAA continues to express caution about approving any of Amazon's drone-based plans, the retailer continues to proceed with new ideas to support them, if they ever are allowed to enter our skies.

Wal-Mart Asks Its Suppliers to Stop Using Eight Chemicals

Lauren Coleman-Lochner and Andrew Martin, Bloomberg, July 20, 2016

Several years ago, Walmart promised to move toward eliminating chemicals that had been shown to be dangerous for human health from products sold in its stores. The promise was vague though, so recently, the retailer followed up with a specific, detailed list of eight chemicals that it will require suppliers to exclude from all products stocked on its shelves. All eight chemicals are common in consumer products, such as the butylparabens that help preserve cosmetics; diethyl phthalate, which when added to plastic items makes them more flexible; triclosan, a common ingredient in antibacterial soaps; and formaldehyde, a known carcinogen that is common in wood products. Some suppliers have no problems with the new list; according to Procter & Gamble, 99 percent of its products already have eliminated the eight identified compounds. In addition, the scientific evidence about the harms of these chemicals suggests that federal regulations might soon prohibit them altogether. For now though, Walmart is moving the needle by insisting on the changes from its suppliers immediately. In so doing, it also can assure consumers that it is keeping their best interests at heart.

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A New U.S.–European Grocery Giant Is Born

Stephan Wilmot, The Wall Street Journal, July 24, 2016

Shoppers at U.S. grocery store chains like Food Lion, Stop & Shop, Giant, and Hannaford are actually sending their money to the same corporate owner as shoppers at European chains such as Albert Heijn. The conglomerate that owns all these brands, Ahold Delhaize, just recently came into being through the merger of two existing owners. With this merger, it immediately became the fourth largest grocery retailer in the United States, where it expects to earn approximately 63 percent of its profits. Yet the corporate headquarters are firmly European, reflecting its global view. With this perspective, the company hopes to achieve substantial economies of scale, such as by purchasing products in massive volumes. It has no immediate plans to change the names of its stores though, such that even as consumers around the world are targeted with similar products by the same corporate owner, they still can enjoy the familiarity of their local grocery store. That's an appealing combination, as reflected in the company's nearly 3 percent growth in U.S. sales since the merger took place.

Startups Try to Put Remote E-Commerce Customers on the Map

Erica E. Phillips, The Wall Street Journal, July 15, 2016

In developed nations, the well-structured infrastructure offers clear and specific addresses for each home and business. But in underdeveloped areas, roads often are unmarked, and no standard numbering system exists to identify a particular location by number. Such gaps make delivery by global firms nearly impossible, because there is no efficient way to standardize shipping to a home with no address or street name attached to it. Therefore, some innovative logistics operators are developing new approaches to designate homes and businesses, such as one option that divides the entire planet into a set of 10' ☐ 10' squares and assigns a three-word designation to each square. Other firms rely on GPS data, and one Kenyan firm creates a form of address by combining geographic data with a picture of each consumer's front door. Delivery orders placed through mobile devices facilitate these processes, because they enable the service provider to use the mobile data associated with the order to locate the person more precisely. Such efforts continue though, especially as e-tailers seek new and better ways to access the valuable, growing market of developing economy consumers.

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