Newsletter for Instructors

September
2017

COMMENTS?
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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
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- List of retail links, cases and videos

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Retailers Set Sights on Facebook, Google Ad Revenue

Emma Thomasson and Racha Naidu, Reuters, July 26, 2018

Use with Chapter 14, "Retail Communications Mix"

Retailers are combining their long-standing practice of charging shelf or slotting fees with the modern-day online advertising strategies to find a new, lucrative, and meaningful revenue source. By charging consumer goods manufacturers to place advertisements on their sites, big retailers can drive sales, leverage their consumer knowledge, and earn revenues beyond just their retail margins.

For big retail names such as Target and Walmart, the wealth of customers who visit their sites—already primed and ready to make purchases—offer great promise to consumer goods manufacturers. For example, Dyson enjoyed a bump in the sales of its allergen-filtering vacuum when it paid Target to push advertising for its devices to consumers who previously had bought a lot of antihistamines. By gaining this virtual "shelf space," but also leveraging the effectiveness of big data–informed targeting, Dyson doubled its sales rate through the site.

Similarly, large grocery chains might push Heinz ketchup when consumers visit their sites to do their weekly shopping and enter simply "ketchup" in the search bar. These consumers have signaled their clear intention to buy the condiment, so reaching them with a brand recommendation at this point in their purchase journey can be highly effective. Accordingly, the Kraft Heinz corporation has announced that it plans to spend four times as much on ecommerce marketing tactics as it did last year, much of it devoted to grocery channels.

For retailers, this tactic represents a new and effective revenue source. They earn anywhere from $.25 to $2 per click on an advertised product. The range of pricing mostly reflects the focal product categories, such that products that people tend to buy repeatedly prompt higher charges, because the manufacturer knows that it is likely to earn more from an interested consumer over time.

It also has more knowledge about what it is earning. Unlike advertising on conventional search engines, retailer-specific marketing efforts give the advertisers a much clearer view of what customers do after they see an advertisement. When Tesco posted banner advertising for a particular brand of dishwashing detergent for example, it determined how many people viewed the advertisement, then determined that this group of consumers spent approximately $132,000 buying the product. It could go even further, specifying that 6 percent of those sales occurred in stores. That is, Tesco was able to inform the consumer goods company that not only did its advertising initiate sales through its website, but it also increased sales in the physical, offline channel.

The data analysis in this case continued to other measures too. For example, it showed that more than 2,200 consumers added the detergent brand to their "favorites" list on the retailer's website, implying a heightened level of customer loyalty.

Discussion Questions:

1. **How do retailers like Target use big data to reach target customer groups?**
2. **How do they earn returns from these efforts?**
3. **What are the benefits of such tactics to the consumer goods manufacturers that advertise on the retailers' sites?**

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Retailers Race Against Amazon to Automate Stores

Nick Wingfield, Paul Mozur, and Michael Corkery, The New York Times, April 1, 2018

Use with Chapter 1 “Introduction to the World of Retailing,” and Chapter 5, “Retail Market Strategy.”

Once a totally novel experience, being able to buy at a click is now a regular option for most consumers. So what’s next to keep them enthralled? For many retailers, the next frontier is automated stores, which shoppers can visit to gather products on the spot, without ever having to interact with a salesperson or wait in line to check out.

Amazon is, of course, leading the way with its Amazon Go experiments. One store already is operational, in Seattle, but substantial evidence signals its intentions to add many more of these stores. The Amazon Go stores are fully automated, with cameras tracking shoppers’ every move and sensors identifying precisely which products they put in their carts.

Other U.S. retailers are adding technological advances at a slightly less aggressive pace, though the trend is clearly toward greater automation. Kroger uses sensors and data analytics to predict customer flow and reduce wait times. Various chains rely on robots to restock shelves, and self-checkout technology continues to improve.

Outside the United States, retailers are even more aggressive in their efforts, especially in China. Bingo Box convenience stores remain locked at all times, so consumers gain access by scanning a code on their phones. They select their products, then use another code that shows they have paid to unlock the doors to exit.

In a trend similar to Amazon’s, Alibaba is opening Hema stores, grocers that combine online, in-store, and delivery capabilities. If customers order online, an automated, aerial conveyor system in each store moves products from stockrooms to delivery docks, awaiting transport to their homes. If instead shoppers decide to stop in the store, they collect their purchases and use a facial recognition–based self-checkout system to complete their purchases.

Across all these various applications, there are some consistent outcomes, some of which evoke some ethical concerns. In particular, the automation of stocking and checkout means fewer jobs for human personnel. Furthermore, the technological methods required to enable this seamless process gather an unprecedented amount of consumer data; in stores, shoppers literally are being watched at every moment and in every movement.

Discussion Question:

1. **What technologies are bricks-and-mortar stores introducing?**

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Nordstrom Opening a New York Store as Other Retailers Close Theirs

Michael Corkery, The New York Times, April 8, 2018. See also Jon Caramanica, "Nordstrom Men: Choose Your Own Adventure," The New York Times, May 9, 2018

Use with Chapter 5, "Retail Market Strategy"

Frank Sinatra's famous New York, New York song lyric, "If I can make it there, I'm gonna make it anywhere," normally refers to the entertainment industry. But it's equally appropriate for retailing. The high rents, demanding customers, and intense competition mean that retailers that want to succeed in the Big Apple need to bring something extra. When they don't, they are unceremoniously booted off the proverbial stage.

Nordstrom's gamble to open its first stores in Manhattan is thus both brave and notable. The luxury department store was founded in Seattle and has spread by opening locations in wealthier, suburban locations throughout the country. Although it runs two Nordstrom Rack, its off-price alternative, stores in New York, remarkably, it has never tried to appeal to New York's shoppers in person.

The gamble is a carefully calculated one. It follows literally years of planning and preparation, and it starts with a dedicated men's store, with the women's store slated to follow, in a separate location, in a few years.

In addition to plotting the location and focus of the stores, Nordstrom has invested heavily in designing an in-store experience that will welcome and excite shoppers. Notably, it combines expensive, high-end, designer goods with affordable options from familiar brands. Moving through the store, men encounter Balenciaga Triple S sneakers for $895 but also adidas slides for $20. The combination is purposeful, with the notion that shoppers want some familiar names but also seek style inspiration and hope to encounter unfamiliar, novel, and cutting-edge fashions that they might not find elsewhere.

Particularly, they might not find it during online searches, because they are not familiar with the brand in advance. Along with this ability, Nordstrom is maintaining its well-earned reputation for service, ensuring that anywhere a shopper turns, he can find an expert to offer advice about trends, coordinating items, and fit. The single store employs 16 tailors to provide rapid alterations. Furthermore, if a shopper places an emergency order online—say, an interviewee who needs a tie immediately for an interview taking place in an hour—Nordstrom will send an employee to meet him at the front door with the purchase.

The plans for the women's store are even grander, including a newly built space, seven stories tall, right across the street.

Discussion Questions:

1. **What is Nordstrom doing to compete in the hyper-competitive New York City market?**
2. **Do you believe it will be successful? Why or why not?**

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More Fabric, More Money? British Retailer Is Accused of Charging "Fat Tax"

Ceylan Yeginsu, The New York Times, May 16, 2018

Use with Chapter 4, "Customer Buying Behavior," Chapter 5, "Retail Market Strategy," and Chapter 13, "Retail Pricing"

Should a product that requires more materials cost more? A simple assessment might suggest such a link is logical and reasonable. But when it comes to fashion, the assessments are anything but simple or logical.

In particular, in the women's clothing market, size assessments are sensitive, difficult, and fraught with emotion. When a shopper at a British clothing chain New Look realized that she was paying 15 percent more for her shirts, dresses, and pants than women who wore smaller sizes, she accused the company of charging a "fat tax." The pricing strategy used by the retailer established two broad categories, such that all "standard" sizes featured one price level, whereas all "plus" sizes were more expensive.

In defense of their pricing strategies, some retailers emphasize that the larger sizes require more material, as well as unique design options. For example, larger pant sizes often feature contoured waistbands, which can cost more to design and produce. Thus they regard the price distinction as reasonable and appropriate, rather than discriminatory.

But those arguments are hard to defend in all cases. Women who wear larger sizes argue that charging a higher price for the same products is clearly discriminatory and offensive. They note that petite clothing rarely costs less, nor do tall sizes or maternity wear cost more, even though they too require more material. In another incident, shoppers at Old Navy complained that it charged more for women's larger sizes but not for men's.

One option might be to establish a pricing tier with additional levels, such that petite people, whose clothing uses relatively less material, pay the least, and the largest sizes pay the most for the additional material. Even in this case though, the emotional implications involved in clothing would come into play. As one shopper explained, "Dressing in bigger sizes can be a sensitive issue for women. It's almost like the shops are trying to make a point by putting up the price. It's like they are saying, 'Lose some weight, love.' And that's just mean."

Discussion Question:

1. **Why do New Look and other retailers charge more for larger sizes?**
2. **Is this tactic good for business? What other options could these retailers consider?**

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Done Chasing Millennials, J.C. Penney Tries to Win Back Moms

Suzanne Kapner, The Wall Street Journal, July 26, 2018.

Use with Chapter 5, "Retail Market Strategy," Chapter 6, "Financial Strategy," and Chapter 13, "Retail Pricing"

Long a familiar anchor store in malls across America, JC Penney more recently has floundered, cycling through three CEOs in seven years and failing to post any profits in 15 of the past 17 quarters. After two failed overhauls, signaling somewhat desperate efforts to bounce back from the global recession, JC Penney has landed on what it identifies as the winning strategy: Scale back efforts to appeal to Millennial consumers, stop working to expand its home appliance division, and shift its focus back to winning over its original core customer base of older women seeking discounted fashion apparel.

To accomplish these goals, JC Penney has hired a new CEO with apparel experience, tasked with reorganizing stores to highlight fashion brands such as Liz Claiborne, Worthington, and St. John's Bay by placing them in the line of sight of prime customer traffic. It also will need to eliminate or scale back future purchases of brands intended to appeal to Millennial consumers. By working with designers such as Liz Claiborne, it hopes to develop exclusive offerings, available only at JC Penney stores, as well as sell the brand's new product lines in advance of competitors that also stock general products from the company.

Established in 1902, JC Penney reached a peak in the 1970s, and it continued to demonstrate strong performance, at least until the modern global recession. As it struggled to weather the crisis, the company exacerbated its problems by making several regretful, notable missteps.

First, it tried to eliminate sales in favor of always having low prices. But consumers missed the excitement and fun of getting a great bargain, so the chain was forced to eliminate that practice and bring back sales almost immediately. Second, the previous CEO added to the retailer's woes. Sensing an opportunity in the market following the closure of several Sears Holding Corp. stores, the chain debuted a new focus on appliances. However, with lower gross margins on appliances, JC Penney's revenues sank, and the company underperformed during fourth quarter of 2017 and first quarter of 2018.

With an average of 40 percent gross margins on apparel and a projection that the apparel industry will post its strongest sales gain since 2012, JC Penney's present strategic shift seems to offer good promise for finally getting the retailer back on track. The company hopes that by once again appealing to its core consumer base, moms and older female shoppers will no longer consider it an afterthought.

Discussion Questions:

1. **Why is JC Penney shifting its target market strategy?**
2. **Do you shop at JC Penney? Why or why not?**
3. **Why did an increased emphasis on appliance sales the last few years have a negative impact on overall profitability?**

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Designers Hope “Drops” Make You Shop

Ray A. Smith, The Wall Street Journal, July 23, 2018

Use with Chapter 4, “Customer Buying Behavior,” Chapter 5, “Retail Market Strategy,” Chapter 6, “Financial Strategy,” and Chapter 12, “Buying Merchandise”

The pace of retailing is quickening, a trend that largely started in the fast-fashion sector. But the effects have spread, such that today, luxury brands are experimenting with new approaches and timelines for introducing and selling their latest fashions. Rather than issuing a winter and a summer collection each year, as has long been the pattern, some of these innovative designers are trying “drops”—frequent introductions of limited product lines—to excite and appeal to consumers.

The drops usually occur about 10–12 times per year. Each one gets promoted on social media, to build buzz and hype. But the offerings are limited in number and assortment, seeking to create a sense of urgency among shoppers. If they miss out on an appealing fashion during March’s drop, they are not going to encounter it in the store in April, for example. This model is notably different from previous designer approaches, which sought to ensure ready accessibility to their fashions, especially at the start of each traditional season, and then marked down the items later in the season to move them off racks.

Thus stores run by famous names like Burberry and Alexander Wang are starting to mimic tactics used by Zara, though they prefer to cite popular streetwear brands such as Nike and Supreme as their main inspiration. Those desirable brands get shoppers to line up around the block for the latest introductions of their product. Although a luxury fashion shopper is unlikely to camp out overnight for the latest Alexander Wang dress design, the company hopes that she will be motivated to ensure she visits the store on the very day the dress arrives.

However, other luxury brands reject this approach; the CEO of Louis Vuitton explicitly dismissed the idea by noting that “‘Supreme-like’ drops, for us, is not a fundamental business model.” As an alternative, Tom Ford and Ralph Lauren have experimented with a strategy called “see now, buy now,” such that they move merchandise into stores immediately following their introduction during runway fashion shows. Overall, the question for these designer brands appears fundamental: Can changing merchandise timing change their performance and sales outcomes?

Discussion Question:

1. **How do more frequent “drops” affect strategic profit model ratios?**
2. **Is this approach really “new”? Do other retailers employ similar strategies, and how?**
3. **Which components of the merchandise budget plan would more frequent drops affect?**
4. **Can changing merchandise timing change performance and sales outcomes?**

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IKEA's Strategy in India: If We Build It, They Will Come

Saabira Chaudhuri and Corinne Abrams, The Walls Street Journal, July 23, 2018

Use with Chapter 5, "Retail Market Strategy" and Chapter 12, "Buying Merchandise"

Expanding internationally invariably requires some adjustments, so when IKEA began strategizing to enter the Indian market, it knew it would need to alter a few things. For example, instead of Swedish meatballs, the company knew that the restaurant in its store in Hyderabad would serve samosas to appeal to local consumers, many of whom avoid beef. Those sorts of shifts were easy to predict and implement, but others have been more expansive and challenging—including a reconsideration of its very foundational idea of selling disassembled furniture that customers would put together at home.

Years of market research showed IKEA that Indian consumers were unlikely to want to build the furniture themselves, so its first store features 150 full-time employees, responsible for building the shelving units, tables, and beds for people to take out of the store. The low cost of labor in India makes it illogical for consumers to devote their own time to building the products, so IKEA has adjusted its approach accordingly.

It also is revising the product lines it offers. Again using extensive market research, IKEA designed a new dining room table that supports Indian consumers' tendency to use these pieces of furniture not just as places to eat dinner but also as central gathering places for social interactions. New lunchbox sets provide spaces to store and carry multiple-course meals, as are common in that country, and only the Hyderabad store stocks pans for cooking naan.

Such adjustments seem like reasonable concessions, considering the potential of the Indian market. In the home furnishings sector, this market has grown by an estimated 90 percent in just the past six years. Furthermore, the extremely young, increasingly prosperous market of Indian consumers may not be able to afford an IKEA bed quite yet, but they likely will in the future. In the meantime, IKEA seeks to spark their loyalty now by enticing them with inexpensive jewelry boxes and welcome mats, each priced at less than $5.

The process has not been without hurdles though. To institute all these changes and alternative approaches, the retailer has had to conduct extensive, expensive market research. In turn, the planned opening of the first store in the country has been delayed several times. But with a slow-and-steady approach, IKEA hopes that it will establish a model that will work well in India, now and in the future, in Hyderabad and throughout the nation.

Discussion Questions:

1. **What growth strategy is IKEA employing in India? Explain your answer.**
2. **How is IKEA adjusting its merchandise assortment to meet the needs of Indian consumers?**

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Kroger’s 90-Day Terms Have CPG Suppliers Seeing Red

Warren Thayer, Retail Wire, July 25, 2018

Use with Chapter 6, “Financial Strategy”

In the grocery sector, payment terms are pretty simple for consumers: They have to pay for the products before they can leave the store with them. But those terms are far more complicated at the next stage in the supply chain, namely, with regard to when the retailer pays for the products that manufacturers deliver to its stores. Conventional terms offer net 30-day terms, such that payment is due within 30 days of delivery. But Kroger has announced its plans to shift to a net 90-day option, a choice that has the manufacturers up in arms.

According to Kroger, 90-day terms are beneficial for the entire supply chain, because the increased flexibility creates smoother payment cycles and allows the grocer to allocate its resources to improving its operations. However, this argument implies that it is demanding manufacturers wait to be paid so that they can subsidize the retailer’s operations—a deal that benefits Kroger more than it does the makers of consumer products.

To counteract the resistance and frustration from vendors, Kroger also proposed an early payment option, in which it would earn deep discounts for paying the suppliers before the 90 days were up. It cited a new partnership with Citibank that would enable it to issue payments nearly immediately after they were approved, such that some suppliers might get paid in as little as 10 days.

Still, the suppliers are not happy, and some have called for a united response that rejects the new terms and demands payments within the industry-standard 30 or maybe 45 days. They may not have much of a choice though. Kroger represents a massive customer and channel for many consumer products, so manufacturers cannot easily afford to reject its terms. They also cannot raise their prices much to cover the costs associated with waiting for payment, because powerful retailers simply refuse to accept price increases.

A potential outcome, which could have negative repercussions for everyone involved, is that manufacturers will seek to reduce their costs by diminishing their product quality. Furthermore, the relationships Kroger maintains with its suppliers could be at risk, if those suppliers continue to feel angry at its demands. But perhaps the benefits are worth the risk for the grocery chain.

Discussion Questions:

1. **What is the advantage for Kroger, and disadvantage to its suppliers, of this new policy?**
2. **How does this new policy affect strategic profit model ratios?**

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Target’s Inside App Continually Crowdsources Design Ideas

Tom Ryan, Retail Wire, July 18, 2018

Use with Chapter 10, “Customer Relationship Management,” and Chapter 12, “Buying Merchandise”

Feedback from customers is undeniably valuable, but crowdsourcing efforts often appear disorganized or involve a single initiative, such that their contributions can be limited. Target is attempting to change that by establishing an invitation-only, ongoing, dedicated app that encourages regular customers to comment on designs and products, to inform its choices for future offerings.

The customers who participate in the Studio Connect app often receive discounts as compensation for their time and effort. But these invited members also have already exhibited their interest in and loyalty toward shopping at Target. They have provided the retailer with personal data, so that it can segment them accurately. In turn, it solicits their opinions on products that they are highly likely to purchase.

For example, a recent survey asked women with children about whether they liked a particular designer’s Mother’s Day t-shirt line and what slogans they would like to see on the shirts instead. Using their feedback, the designer already has planned its line for next year, anticipating heightened sales by matching these consumers’ preferences.

Due to the exclusive feeling of the app and the targeted queries, consumers tend to respond readily and quickly. Thus, Target offers its suppliers valuable, relevant, and timely data that they can use throughout their design process. Beyond these benefits, Target itself gains insights into location-based preferences, such as realizing that app participants on the East Coast might express greater interest in a particular item than those elsewhere in the country. With these data, it can devise more detailed allocations to stores in various locations.

Discussion Questions:

1. **How does Target’s new app garner customer loyalty?**
2. **Might Target’s new app be useful for developing new private-label products?**

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Did Build-A-Bear Destroy Its Brand with a Successful Promotion?

George Anderson, Retail Wire, July 13, 2018

Use with Chapter 14, "Retail Communications Mix," and Chapter 17, "Customer Service"

A successful retail promotion gets people in the door, ready and willing to spend money. But success also implies that the retailer is prepared to meet the demand that might result—a step that Build-A-Bear Workshop seemingly forgot about when it designed a "pay your age" promotion for its stuffed animals.

The promotion achieved an important goal: It got kids and parents truly excited. Promising that they could obtain one of the popular bears at a cost equal to the child's age meant that parents could save a substantial amount, because at their regular prices, the stuffed animals can cost up to $25.

In response, families showed up in droves. Lines snaked through malls, with small children and their parents waiting literally hours. As if that were not bad enough, some retail locations ran low on inventory, and others cited safety concerns, leading them to halt operations and send everyone home, without a bear.

The kids were disappointed. The adults were mad, and they expressed it quickly and widely through social media. The negative word of mouth blamed the store for poor planning and protested that "turning away kids at the door" was inexcusable. Although Build-A-Bear promised everyone in line vouchers, such that they could come get the toys at a later date for the same price, the immediate effects were powerful, for both consumers and the retailer.

Discussion Questions:

1. **Which Service Gap occurred as a result of Build-A-Bear's recent promotion?**

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What Would It Take to Overthrow King Publix?

Sara Dinatale, Tampa Bay Times, August 19, 2018

Use with Chapter 7, "Retail Locations," and Chapter 17, "Customer Service"

For Floridians, Publix is a household name. The grocery chain started in 1940 in the state, evoking loyalty and devotion from consumers who appreciate its promise that in its stores, "shopping is a pleasure." Competitors thus have no choice but to find a way to contend with its dominance, and many of them are failing, even as Publix seeks to expand its reach beyond the southeastern United States.

Consider some current battles. Just two years after attempting a limited foray, California-based Safeway has announced plans to exit the state, marking down its products so that it can clear stores of inventory. Despite its power throughout much of the rest of the nation—it has a dominant presence in 30 states beyond its initial locations in Ohio—Kroger has never even tried to open stores in Florida. Winn-Dixie continues to seek a competitive edge by investing in store upgrades and renovations, though its parent company also has shifted its focus to opening different store formats that cater specifically to Hispanic shoppers.

In the meantime, Publix just keeps getting stronger. With approximately 1,200 stores in 6 states, it continues to post increases in its sales figures and stock prices. To explain its success, the chain cites its close relationships, both between the firm and its employees and between its employees and its customers. Its status in Florida also is so secure that competitive grocers need to offer something distinctive to attract shoppers.

Accordingly, rather than open Kroger stores, the parent company has invested in opening Lucky's Market locations, which sell organic and healthy options at lower prices, targeting millennial foodies. Fresco y Mas, a subbrand of the company that also owns Winn-Dixie, stocks foods familiar to Hispanic consumers, promising a wider selection for this targeted cohort.

These moves may prove effective, but perhaps the greatest challenge to Publix will come a few years in the future, from a firm that enjoys a competitive advantage similar to its own, just in a different region. That is, New York's Wegman's supermarkets evoke powerful customer loyalty and rely on strong relationships between employees and customers. Furthermore, it too is seeking to expand outside its home state. At some point in the future, the two chains might find themselves meeting in the middle, as one extends northward and the other moves farther south. What will customers choose then?

Discussion Questions:

1. **How do local retailers such as Publix establish customer loyalty and leverage it?**
2. **How can other retail chains compete to over come this advantage?**
3. **What happens to the advantages of such retailers when they expand into other geographic locations?**

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Retail Tidbits

Google, Rebuilding Its Presence in China, Invests in Retailer JD.com

Raymond Zhong, The New York Times, June 18, 2018

If you can't make it in the search engine market, is retailing a viable alternative? In the unique context of Google's efforts to gain access to China, the answer might be yes. After years of searching for solutions that would allow its search engine capabilities to function within the tightly censored and controlled Chinese media market, Google left the country in a widely publicized move in the early 2010s. But the pull of this massive consumer market is too great to ignore, so Google is trying another tact, investing heavily in the Chinese retailer JD.com. Formally, the more than half a billion dollar investment gives Google an approximately 1 percent share in the retailer. In return, JD.com will appear on Google's shopping platform, and the two companies have announced plans to work together to innovate other retail advances. Less formally, the move seems to be a strategic effort by Google to make inroads into China, without having to address either government censorship or the ethical implications of accepting those rules.

Chile Bans Plastic Bags at Retail Businesses

Pascale Bonnefoy, The New York Times, June 1, 2018.

In recently passed legislation, Chile has mandated that no retailers operating within its borders may hand out plastic bags for customers to carry their purchases home. The ban applies within six months for large retailers; smaller stores have a little more time to make the transition, but until then, they are allowed to dispense only two plastic bags per customer. The legislative efforts reflects Chile's attempt to take the lead in international conservation and environmental efforts. With its 4000 miles of coastline, it considers water pollution a threat to its very identity and existence. Unlike many other nations, the move appears almost universally popular: It passed without opposition at the national level, and more than 80 municipalities had instituted similar rules well before the national-level rules came into effect.

Ivanka Trump Closing Her Namesake Fashion Brand

Rebecca Ballhaus and Suzanne Kapner, The Wall Street Journal, July 24, 2018

Rather than continue to attempt to leverage her famous name in the retail sector, Ivanka Trump has chosen to close her eponymous clothing and accessories company, citing the difficulties associated with meeting regulations regarding conflicts of interest. In particular, critics argued that her promotion of the brand in her semi-official government role as a senior advisor constituted unfair trade practices, such that she appeared to be using her position of power to benefit herself financially. Initially, Trump moved her ownership shares to a trust, asserting that by removing herself from day-to-day operations, she avoided the conflict. However, various members of the Trump administration continued to plug the brand in official and unofficial comments, such that Trump continued to draw scrutiny. In addition to the legislative and regulatory challenges, the decision might simply reflect market trends: Sales of the brand have fallen by more than half compared with their high point in the months prior to her father's election. Several retailers have reduced their stocks or removed the brand from their shelves altogether, including Nordstrom and TJ Maxx, which cited insufficient demand. Although other retailers, including Macy's and Bloomingdale's, continued to carry the products, sales still fell nearly 55 percent in a one-year period.

How Sellers Trick Amazon to Boost Sales

Laura Stevens and Jon Emont, The Wall Street Journal, July 28, 2018

For a fee, sellers can hire legions of workers, often from less developed economies, to spend their days searching for and clicking on their products on Amazon. The more clicks a product earns, the greater its apparent popularity, and thus, the higher it tends to appear on actual product searches by legitimate consumers. Although Amazon keeps its ranking algorithms closely protected, popularity is clearly an important and understandable criterion; consumers like to know which products lots of others have found sufficiently appealing to buy. The new tactic threatens to undermine the familiar and relatively well-trusted recommendations that Amazon offers though. For sellers, a legitimate option is to request reviews by Amazon's authorized reviewers, for a fee. However, sellers complain that this option is both expensive and not always effective. To ensure the legitimacy of the process, Amazon never guarantees that its authorized users will offer positive reviews. Thus, a seller might devote considerable resources to this marketing tactic, only to find itself with lower ratings and negative word of mouth being spread about it. There is no such risk in hiring the fake searchers and customers, though sellers do risk sanctions and reprisals from Amazon. The company claims that it remains constantly alert to abuses and signals of fake clicks, banning fake reviewers from the site and scrubbing their contributions. But the "click farm" methods keep shifting and growing more sophisticated, such as adding lots of 5-star reviews to a rival's product to trigger an investigation and potentially get it banned from the site. Whether Amazon can keep up with these developments may determine how well consumers will continue to trust its recommendations.

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Direct-to-Consumer Brands Key to Nordstrom's Assortment

Matthew Stern, Retail Wire, July 17, 2018

Rather than stock the same brands that consumers might expect to find at other department stores, Nordstrom has actively sought out partnerships with smaller fashion companies that previously have operated according to a direct-to-consumer model. Many of them might have established short-term pop-up stores and events, or else they relied exclusively on a branded online channel. By bringing these unique assortments into its stores, Nordstrom gains a means to differentiate itself and overcome the apparent ennui exhibited by today's consumers, who seek something new and different rather than the well-known brand names that predominate in traditional department store settings. Having adopted the strategy only relatively recently, sales of direct-to-consumer brands already account for approximately 40 percent of Nordstrom's revenues. Moreover, because they are unique offerings, these products do not experience the same vulnerability to competitive discounting; no other store is carrying them. Thus Nordstrom is achieving a profitable, meaningful means to distinguish itself in the market, consumers are gaining access to new and unconventional apparel, and small fashion houses are entering into a new and massive distribution channel.

Need a Nap? Casper Opened a Store for That

Tom Ryan, Retail Wire, July 16, 2018; see also Avery Hartmans, "Mattress Startup Casper Just Opened a New Space Where You Can Pay $25 to Take a Nap—Here's What It's Like to Visit," Business Insider, July 18, 2018

The mattress brand Casper has always tried to dream outside the box. The retailer first broke the mold by changing the way mattresses were sold: It debuted online, and it famously sold comfortable mattresses, shipped directly to consumers, in impossibly small boxes. Now Casper has developed its next innovation—an idea that the company believes will fill an unmet consumer need while also providing an invaluable means to market its brand: The Dreamery. The service allows tired consumers in New York City to take a mid-day nap in a curtained nook, equipped with a Casper bed and other high-end products, such as luxury sleep wear and face wash. Nap sessions, priced at $25 for a 45-minute interlude, are pre-booked through a special Casper website so drowsy consumers can walk in at a pre-arranged time and find their personalized Dreamery nook all ready to go. And though Casper mattresses are not directly available for sale from the Dreamery, the service location is right next to a Casper brick-and-mortar store, so a purchase would be easy and convenient. This innovative channel represents the latest addition to Casper's omnichannel strategy, designed expressly to make it easy for consumers to experience and come to love its mattresses. Mattresses are available for purchase from West Elm and Target, and new stand-alone Casper stores have begun popping up across the country. The Dreamery offers an unusual, unique, and creative way for the retailer to expose more potential consumers to its products—while also earning service revenues from customers who desperately need a relaxing place to take a break from the rigors of daily life. Casper has plans to expand the Dreamery to more cities, as well as to college campuses, airports, and workplaces, so for this mattress brand, it seems the sky's the limit.

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