



# RETAILING MANAGEMENT

Levy|Weitz|Grewal

## Newsletter for Instructors

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

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## Retail Tidbits

- ❖ [Shut Out by Shoe Giants, “Mom and Pop” Stores Feel Pinched](#)

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RETAILING  
MANAGEMENT

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# FedEx Says Its Ending Express Shipping Service for Amazon

Michael Corkery, *The New York Times*, June 7, 2019

Use with Chapter 9, “Information Systems and Supply Chain Management”



Amazon’s unending, seemingly inevitable growth can be both a threat and an opportunity for its supply chain partners. For FedEx, the threat appears to have grown larger than the opportunity, prompting the logistics and delivery service to make moves distancing itself from the retail giant.

In particular, FedEx has refused to renew a contract that obligated it to devote part of its operational capacity to ensuring express delivery of Amazon packages. The contract was a small but meaningful element of FedEx’s overall strategy; Amazon accounted for approximately 1.3 percent of FedEx’s revenue, and the express delivery

service was simply a percentage of that total.

Instead, increasing levels of FedEx’s business come from Walmart, Amazon’s chief rival. The relationship between Walmart and FedEx also appears to be expanding to include various elements. That is, the retailer is shipping far more products using FedEx’s standard and express services, reflecting its ambition to ensure both same and next-day delivery capacities to appeal to customers. Furthermore, Walmart has agreed to install about 500 FedEx counters in stores throughout the country.

But FedEx also is clear that it does not intend to limit itself to any one retailer. The company has issued predictions that by 2026, U.S. consumers will be receiving 100 million packages per day. With this strategic belief that ecommerce and delivery demands are only going to keep growing, it actively plans to try to be the logistics provider for a vast range of retail partners. Noting its existing network capabilities, FedEx promises to serve the thousands of ecommerce retailers that need to get their product to customers too.

Perhaps the final nail in the coffin for the contract though were the moves by Amazon that put it in direct competition with its partner. As we have discussed previously in these abstracts, Amazon has vastly expanded its own delivery capabilities, adding airplane and truck fleets to its inventory and hiring millions of flex-time workers to put packages on doorsteps. These resources mimic the key advantages that FedEx has built up over time. In a sense then, the contract meant that FedEx was in the untenable position of “competing with Amazon for Amazon’s own business.”

## Discussion Questions:

1. Why has FedEx ended its express shipping service through Amazon?

# The Boutique Fitness Boom

Katherine Rosman, *The New York Times*, June 17, 2019

Use with Chapter 7, “Retail Locations,” and Chapter 17, “Customer Service”

In various retail sectors, proximity to competitors is a key strategic imperative. Drug stores, electronics chains, and restaurants have long realized the potential benefits of locating nearby their competitors, as a means to establish a certain intersection or neighborhood as the place people should visit when they are in need of those offerings. Taking on new life, this trend also is spreading to exercise studios, which are combining their offerings to develop and present “fitness clusters” that allow consumers to visit several options and try various alternatives, all within a small physical area.

These developments are effectively supported by parallel trends by which conventional shopping centers and malls are being deserted by their previous clientele. A mall operator thus might work to attract a spin cycle provider, a Pilates studio, and a yoga group to rent space; it also might entice related providers, like sauna spas, healthy food and beverage purveyors, or athletic clothing stores, to join the “neighborhood.” In this way, the mall operator gets active tenants in its stores, which attract clientele who are ready to spend money to obtain appealing experiences, as are issued by group fitness providers.

The consumers benefit from such clustering because they gain an easy means to try out various exercise and class options. Similar to a food court, they might try one exercise “cuisine,” such as a boot camp class one day, then switch to another “flavor,” like a hot yoga class the next.



In some cases, the operators of the fitness clubs work to facilitate this experimentation. Some franchises now maintain multiple group fitness brands, then offer consumers the option to buy a comprehensive pass that allows them to visit each of the options, according to their preference that day. For example, a firm called Equinox, which defines itself as a luxury fitness brand, owns the subbrands SoulCycle, Pure Yoga, Precision Run, and an eponymous Equinox fitness club. The all-access pass to all of these options runs about \$260 per month.

Another brand, Xponential Fitness, seeks out underperforming small studios and offers to make them part of its franchised operations. Noting that many operators in this market are better at fitness than at finance, it recommends that a Pilates studio become a Club Pilates franchise, a rowing gym become a Row House franchise, and so forth. Then the company helps them with lease questions and location decisions, including encouraging many of them to look at abandoned Radio Shack stores as appropriately sized, often inexpensive options for installing their practices.

In other cases though, it is independent companies flocking together. One operator, with about two dozen Pilates-inspired studios, explicitly looks for locations near other high-end fitness studios. The walk-by traffic, she notes, consists of people who already are accustomed and willing to pay about \$40 for an hour-long fitness class, which is precisely her target market.

The fitness clusters thus continue to expand, bringing in new customers, as well as service providers. Cryotherapy, stretching studios, and float therapy providers are starting to recognize the appeal as well, because these relatively novel services seek to help modern exercisers overcome the strains they put on their body by attending multiple fitness classes every week. The trend even could take the food court metaphor further, in that sellers of clean juices, coconut water, and other health-oriented specialty offerings likely will be seeking space within these fitness clusters soon.

## Discussion Question:

1. Why are malls leasing to non-traditional fitness providers?
2. Why are fitness service retailers leasing in non-traditional locations?

# The Empty Storefront Crisis and the End of the American Dream

*Ginia Bellafante, The New York Times, June 14, 2019*

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

American retailing has historically provided a meaningful path to prosperity for various members of the population, including immigrants and people who might have been excluded from more traditional success routes. Newly arrived immigrants could leverage the skills and talents that marked their home cultures to establish a foothold for themselves and their families.



This history has been diverse. A prominent and well-known example involves ethnic food retailers that allowed customers who were native to the host nation to enjoy something totally different, even as they granted their fellow immigrants a taste of home. Regardless of their target markets, all of them pursue the American Dream. The efforts contributed substantially to the wealth and variety of food and restaurant options that today's consumers can experiment with and experience.

Beyond food though, many people brought distinct skills with them, such as groups of Greek immigrants who, at the turn of the last century, arrived in the United States with vast knowledge and experience with tanning and fur making. For decades, Greek furriers prospered, leveraging a centuries-long

tradition of creating luxurious ermine furs to supply and sell to American women who wanted the latest and most beautiful furs to wear.

The modern scenario has changed. For furriers in particular, changing social norms and fashion preferences mean that there is little market for their products. In New York, long the hub for this immigrant-run industry, proposed legislation would make fur production illegal. Although the sponsor of the legislation suggests that the mandate could be implemented in stages, to give workers a chance to retrain in new skills, that prospect seems unappealing to first-generation immigrants, many of whom are near or older than retirement age, and who see their work as a legacy of their culture.

Along with trends that might push certain traditions out of the market, small retailers run by immigrant families also face the same pressures that are challenging virtually every mom-and-pop shop: rising rents, competition for customers with online providers, and so forth. In neighborhoods that once were dominated by ethnic cuisine and related offerings, streets increasingly look similar and bland, with storefronts housing national chains or nonretail operations, like tech firms. The losses associated with these societal shifts thus appear to extend well beyond economic implications—though those are salient too for people trying to make a go of it in the United States. They also include the threat of a loss of identity and uniqueness that retail operations traditionally have created in local neighborhoods and cultural enclaves.

## Discussion Questions:

1. When two competing ethical goals—stopping the wearing of animal fur versus ensuring the legacy and employment opportunities for people—conflict, what are options for resolving them?
2. Is retailing still an appealing and effective means for social advancement for immigrants to the United States?



# How E-Commerce Sites Manipulate You into Buying Things You May Not Want

Jennifer Valentino-DeVries, *The New York Times*, June 24, 2019

Use with Chapter 3, “Multichannel and Omnichannel Retailing,” and Chapter 14, “Retail Communication Mix”

Questions about what constitutes unethical influence tactics and what are legitimate advertising or retailing practices are impossible to answer conclusively; the answer often depends on the context. Today, these questions have taken on new meaning, and a new context, in relation to online retailing that leverages technology and insights into consumer behavior to nudge online shoppers in particular directions.

Referring to these tactics as dark patterns, researchers have determined that many retail sites engage in misleading tactics. For example, a choice to opt out of further marketing communications on a website might be presented in grey font, rather than black, making it appear as if that option cannot be clicked on or chosen. Other opt-out choice elements use confusing wording and double speak, making it difficult for site visitors to understand what they need to do—click or not?—to avoid receiving push messages. Then once they are signed up, many companies make it difficult to get off the list, such as requiring consumers to call or write in to stop the messages, rather than allowing them to click somewhere else on the site.

Beyond these marketing communication efforts, some dark patterns encourage specific purchase behaviors. On ThreadUp, an algorithm traces people’s shopping behavior, then issues (false) prompts to get them to buy, such as stating that “Alexandra from Anaheim just saved \$222 on her order.” This prompt exploits the common human tendency—fear of missing out—to grab an opportunity if it appears likely to disappear soon. Retailers have long known of and used this habit. By offering limited selections for example, retailers can encourage shoppers to buy immediately rather than wait and risk missing out on the purchase opportunity. Those sorts of tactics are perfectly legal, but in the ThreadUp example, researchers have determined that the prompts do not refer to any actual customer. There is no Alexandra from Anaheim, and this fictional entity has not saved anything. Instead, the false message is purely designed to get the shopper who sees it to make the purchase right away.



The research study conducted to identify these dark patterns is the first of its kind, and it focused solely on retail sites, with stringent criteria. For example, the study only analyzed text, not any other forms of communication (e.g., videos, images, links), and it focused only on dark patterns that clearly sought to influence purchases. It excluded other potential types of dark patterns, such as content added to social media sites or data sharing uses and abuses. Thus according to the lead author of the study, dark patterns are likely much more prevalent than the study reports—and that study indicates that about 12 percent of retail sites exhibit some uses of some dark patterns in some form.

Federal lawmakers are considering legislation to limit the use of these patterns, but the same definitional problem arises. When do nudges to get customers to buy represent legal forms of advertising and marketing to help shoppers find what they need—and when are they unethical influence methods that keep consumers from getting what they really want and need?

## Discussion Question:

1. In online retailing settings, what are “dark patterns”?
2. Provide examples of dark patterns.
3. Which of these examples, if any, do you believe are the most deceptive? Defend your answer.

# Forget the Mall, Shoppers Are Buying Gucci at Airports

Jaewon Kang and Sharon Terlep, *The Wall Street Journal*, June 17, 2019

Use with Chapter 7, “Retail Locations”

Modern travel often means getting to the airport with more than enough time, just to be safe and avoid the chances of missing a flight due to long security check lines. As a result, airports are home, at least temporarily, to millions of potential consumers with extra time on their hands while waiting for their flight to board—many of whom are already in a vacation mode and ready to spend their money.

In turn, retail operations in airports are becoming an increasingly prevalent and important channel for many brands, especially luxury product providers. Consider Estée Lauder, long a staple of department stores, which last year earned more revenue from airport sales than from all its department store counters combined.



Overall, global sales in duty-free and travel-hosted retail outlets have grown to \$76 billion.

The rise in sales results from several contributing factors, all of which support many brands' expanded presence in international airports in particular. As noted, travelers find themselves with an average of about 72 minutes between the time they get through security and the time their flight boards. Some of them might work or read or grab a bite, but many others are looking for entertaining options, including shopping.

If those travelers are coming from international destinations, they also appreciate gaining access to products that might not be available in their home countries. Accordingly, the growing number of middle-class consumers from emerging nations like China and Brazil, whose travel habits have been growing with their economies, expressly plan ahead to shop in the duty-free shops in international terminals, snapping up high-end products that they cannot find at home.

In turn, retailers are emphasizing expensive, luxury, conspicuous products. Gucci makes \$38 lipsticks available. Bacardi introduced a limited edition version of its Aultmore Scotch brand; three versions, priced at \$400 each, could only be found in airports. Its sales data showed that most people sought to buy all three, enabling them to come home with \$1200 worth of Scotch that no one else was likely to have.

## Discussion Question:

1. Why are airports a good location for retailers?
2. Which types of retailers do best and worst at airport locations? Explain your answer.

# Walgreens Profit Squeezed by Generic Drugs

Sharon Terlep and Aisha Al-Muslim, *The Wall Street Journal*, June 27, 2019

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



Is a drugstore still a drugstore if it can't make money by selling drugs? That's a question facing the dominant names in the drugstore sector, as summarized in a recent announcement by Walgreens that it was not earning sufficient profits on generic drug sales; even as sales continue to increase, the chain's profits keep dropping.

This development is largely a result of the pressures from pharmacy management companies, which seek to reduce the payouts to the provider when clients obtain generic drugs. These firms work to lower prices throughout the supply chain, including the wholesale prices of generic versions of popular drugs but also the retail prices that they

will reimburse when the drugstores dispense those medications.

In response, Walgreens has acknowledged its goal to revamp its business and profit models. Rather than relying on sales of drugs, which has long been its primary revenue source, it aims to become a whole-health provider, with service centers in stores designed to help people manage chronic issues such as hypertension or diabetes. Its main competitor CVS is following a similar strategic plan, seeking to become the first line of health care provision that consumers can seek when experiencing nonemergency conditions.

Shifting trends in consumer behavior mean that simultaneously, drugstores are selling fewer tobacco products, such that retail sales overall have fallen as well. At CVS, which removed tobacco products altogether, those sales have disappeared.

## Discussion Questions:

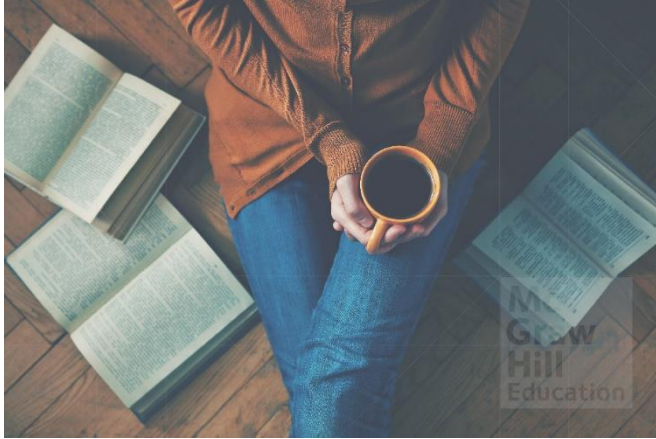
1. What strategic profit model ratios are affected by Walgreens' current situation?
2. What strategic initiatives can it employ to improve its financial performance?
3. How might those initiatives influence specific strategic profit model ratios?

# How a Canadian Chain Is Reinventing Book Selling

Alexandra Alter, *The New York Times*, May 1, 2019

Use with Chapter 5, “Retail Market Strategy,” and Chapter 11, “Managing the Merchandise Management Process”

Virginia Woolf famously insisted that if they wanted to write fiction, women needed “money and a room of one’s own.” But if they want to read fiction, it may well be that women (and men as well) need a few more items. Into that gap has stepped Indigo, a Canadian retailer that looks like a bookstore but calls itself a cultural department store.



For booklovers, an Indigo store sets the perfect stage. In addition to curated book selections, highlighting popular and compelling works of fiction and nonfiction, it provides reading socks, scented candles, cashmere throws, and aromatic oil diffusers. The idea is that people can go to Indigo to find everything they need to create a cozy reading room or corner. Yet even as it provides these parallel products to make reading more enjoyable, approximately half of all of Indigo’s sales are of books, signaling its continued commitment to books as its primary product market.

Beyond those accessories, it applies curation efforts to design attractive displays of products linked to the books it recommends. For example, next to a collection of cookbooks, the stores might stock a high end knife set, herb kits, table linens, and acacia salad bowls. Plush toys and infant blankets are stocked on shelves near the children’s books. The self-help section hosts a treasure trove of improvement tools, from crystal facial rollers to organic soaps to water bottles that promise to help people to stay healthy and hydrated.

The selection process is evident from the moment shoppers enter the store, where they encounter “Heather’s Picks” of books, chosen by the company’s CEO Heather Reisman. Her influence extends beyond these recommendations though, such that she personally hosts conversations in stores with famous authors like Bill Clinton, Nora Ephron, and Malcolm Gladwell. She also had a hand in the store designs, which tend toward a cozy and generally feminine vibe, reflecting a market in which approximately 60 percent of book buyers are women.

Such cross-merchandising and experience-centric approaches appear to be a viable solution in the dynamic bookseller market. The big box names like Barnes & Noble and Borders have shrunk or closed completely. The Canadian equivalent, called Chapters, even underwent a merger with Indigo a few years ago. Having established its presence in Canada, Indigo has started a U.S. expansion, though notably, independent booksellers in the United States are enjoying a resurgence that suggests some challenges to its growth.

Of course, the biggest name in book selling is Amazon, and Reisman is clear in how its presence defines Indigo’s strategy. By curating selections, Indigo explicitly does not try to provide everything to everyone, because in her words, “Someone’s already doing that.” That is, shoppers are not visiting an Indigo store because they think it will carry every book they could possibly consider. Instead, they go there to find a comfortable space where knowledgeable readers offer them recommendations and support their desire to carve out space to engage in the enjoyable pursuit of reading.

## Discussion Questions:

1. What is Indigo’s merchandising strategy?
2. Do you believe Indigo will be successful in the United States? Why or why not?



# Sweetgreen Scraps its Cashless Policy as Criticism Grows

Karen Zraick, *The New York Times*, April 25, 2019. See also Karen Zraick, "Philadelphia Bans Cashless Stores Amid Growing Backlash," *The New York Times*, March 7, 2019

## Use with Chapter 6, "Financial Strategy"

Just a few short years ago, popular press articles were filled with announcements, discussions, and predictions about the cashless future, as retailers in various sectors began experimenting with the idea that they could eliminate any cash transactions. Amazon Go stores were prominent examples, but the restaurant chain Sweetgreen, with its 94 stores, similarly indicated that it believed eliminating cash would make the sales process easier, safer, more convenient, and more enjoyable.

The experiment has not turned out quite as intended, and in response, Sweetgreen has reversed course. All its stores will soon be accepting cash again, so consumers seeking the salad-focused fast food options can pay with their cards or the money in their wallets. In announcing the changed course, Sweetgreen acknowledged that removing cash was detrimental to some consumers, whether they were unable to use credit cards, perhaps because of their credit limitations, or simply because they prefer to pay with cash. Notably, a majority of consumers still use cash for specific transactions, even if they depend heavily on their credit and debit cards in most cases. That is, modern consumers with multiple payment options at their disposal still might prefer to hand over cash for small daily purchases, including a to-go lunch they grab at Sweetgreen for example.

The switch back to accepting cash also might represent a response to more widespread criticism of the concept of cashless retailing. In Philadelphia and New Jersey, laws already have been passed to mandate that retailers must accept cash. Similar legislation is being debated in other states and cities. Although most of these laws exempt some retailers (e.g., parking garages, those that sell membership-based services, online transactions), they apply broadly to most retail industries, including restaurants and grocers.



The embrace of cash seemingly might eliminate some of the benefits that Sweetgreen and Amazon Go hoped to attain, such as convenience and enabling cashier-less transactions, but it adds some others. In particular, research suggests that paying with cash can benefit consumers, who have a better sense of how much they are spending when they count out the bills and coins to cover the costs. Thus, cash-based transactions might reduce unintentional overspending. It also reportedly increases the sense of value assigned to the transaction; a meal bought with cash might seem to taste better than one charged to a card. Thus sellers actually might want to encourage even more cash transactions, to ensure the consumers recognize the value of their offerings.

## Discussion Questions:

1. What are the advantages and disadvantages of a cashless store from retailers' perspective? From customers' perspective?

# Amazon Adds Rite Aid Locations to Package Delivery Network

Sebastian Herrera, *The Wall Street Journal*, June 27, 2019. See also Emma Cosgrove, “Amazon Adds Counter Parcel Pick Up in 100 Rite Aid Stores,” *Retail Dive*, June 27, 2019

## Use with Chapter 9, “Information Systems and Supply Chain Management”

Let’s count the ways that Amazon can get your order into your hands:

1. Shipping to your door, often requiring you to be home to receive the package, with the help of
  - a. The U.S Postal Service.
  - b. FedEx.
  - c. UPS.
  - d. Its own fleet of drivers.
2. Shipping to your garage, regardless of whether you’re home, using the Key by Amazon option.
3. Delivery to lockers located at various locations, such as apartment buildings, in your local area.
4. Delivery to a local Whole Foods store, which is the grocery store chain it owns.
5. Delivery to a local Kohl’s or Best Buy, in a relatively new arrangement with these independent retailers.

And now we can add a new option: Delivery to the local Rite Aid drug store. Similar to the Kohl’s and Best Buy agreements, the new collaboration leaves the two retailers separately owned but enables them to work together to appeal to and better serve customers.

The packages will be held at Rite Aid for up to two weeks, so shoppers can pop in to the local drug store whenever it is convenient for them to grab their items, without having to worry about waiting at home to receive them or granting Amazon permission to access their garages to leave the packages. As this move indicates, Amazon continues to seek diverse options to cover the last-mile delivery challenge, both conveniently for customers and efficiently for itself.



For Rite Aid, which has been operating at a loss in recent quarters, the arrangement promises an increase in foot traffic, as people come in to pick up their Amazon purchases, and thus the potential for an increase in sales as well. The stores will be required to devote some floor space to the Amazon-branded pick-up counters, as well as ensure that sufficient staff is on hand to give customers their packages when they arrive. The agreement explicitly does not allow for returns of Amazon products to the stores.

The promise of these benefits is so strong—and the successful example of the Kohl’s partnership has been so compelling—that Rite Aid has announced it will be adding the counters to all its stores within the year. Rather than any pilot or testing period, it is jumping right into the deep end of Amazon provision services.

### Discussion Questions:

1. What are the advantages and disadvantages of in-store pickup from Rite Aid’s perspective? From Amazon’s perspective? From consumers’ perspective?

# Retailers Cash in on a “Captive” College Campus Market

Wayne D’Orio, *Retail Dive*, May 23, 2019

Use with Chapter 7, “Retail Locations,” and Chapter 11, “Managing the Merchandise Management Process”



For many college students, an August trip to a big box store in their hometown is a rite of passage. They collect the extra long sheets, laundry hampers, and decorative accents they are going to need in their first dorm room, then pack them up to make the big move. But retailers might have a way to make that process a little easier and less time constrained, by putting their product offerings on campus. Students don’t have to worry about showing up with everything they need, because the on-campus store has it right on hand.

Target is leading the push, with its announcement that approximately one-third of the new stores it plans to open in the coming year will be on college campuses. These stores will be much smaller than the massive, 130,000 square foot stores that consumers might be used to visiting in their suburban hometowns. The retailer also offers the option of ordering products online, then picking them up in the store, so parents and their college-bound students can select the needed items from home, then collect them once they arrive on campus to move into the dorm.

In addition to their smaller size, these stores will stock a more limited product assortment, curated precisely to reflect students’ needs. There will be a strong focus on electronic devices, laundry tools, bedding, and grab-and-go food offerings. Furthermore, the products will reflect local preferences, likely stocking more bathing suits for Florida colleges but cold weather tailgating gear for those in the Midwestern United States.

Speaking of Florida, the Publix grocery store chain already added an outlet to the University of South Florida’s massive Tampa campus. Although an existing store, less than two miles away, was readily accessible to students, that store sought to serve both students and more traditional families of shoppers. In contrast, the on-campus store is clearly and strongly dedicated to serving the needs of the approximately 2000 students who live in the same recently build residential village in which Publix leased the land for its store.

To gain support and loyalty for this store, Publix sought approval of its move from the student government at USF. Even if not binding, it aimed to communicate the importance it placed on students’ acceptance of a retail store in their dorm. In addition, it committed to holding at least two job fairs each year, to give students an easy route to short-term jobs in stores or perhaps longer term careers with the growing company.

Of course, retailers locating on campus is not a totally new concept; most universities have a book store—nearly 800 of which are run by Barnes & Noble. The stores give students easy access to their course texts but also sell gadgets, books for fun, and university gear. To ensure that it goes beyond being just the school’s bookstore, Barnes & Noble actively seeks out feedback from its student customers, through hundreds of thousands of surveys collected both in person and online. Such feedback has prompted several changes to the operations of these stores, including more frequent assortment turnover and the introduction of in-store hosted events to give students something fun to do.

## Discussion Questions:

1. Why are retailers locating stores on or near college campuses?
2. How might retailers adjust their assortment to serve this market?



# 4 Grocers that Are Turning Stores into Destinations

Krishna Thakker, *Retail Dive*, June 24, 2019

Use with Chapter 2, “Types of Retailers,” Chapter 5, “Retail Market Strategy,” and Chapter 17, “Customer Service”

Grocery shopping is a chore that people try to get done as quickly and painlessly as possible. Right? Not necessarily—especially if you live in Austin, Texas; Morristown, New Jersey; Southern California; or Eastgate, Ohio. In those places, various grocers go beyond expectations to create shopping experiences, filled with fun, entertainment, and added services.

In Texas, H-E-B grocery stores are popular favorites, already attracting the strong loyalty of most shoppers. Never one to rest on its laurels though, H-E-B is tearing down its South Congress Avenue store to rebuild a new, massive complex. On site will be a 110,000-foot grocery store, placed right alongside a music venue, beer garden, and food hall. The food hall will host booths from local restaurant favorites, with both indoor and outdoor seating. The stage in the music venue is large enough to host famous, big name acts. Throughout the entire complex, rotating art installations will offer visual appeal. It's grocery shopping that looks like attending a music and art festival.



At the Village Food Garden Wellness Center, run by the ShopRite grocery chain in Morristown, New Jersey, all the elements are already operational and have been since 2013. The Wellness Center offers fitness classes (for a monthly membership fee of just \$25), dietician services, and a learning center targeted toward children between the ages of 3 and 8 years. While parents stretch in a yoga class or work up a sweat with some Zumba, their kids engage in planned activities and games. Afterward, everyone might meet up at the coffee bar, allowing the parents to chat while the children play together. It's grocery shopping as a community hub.

Southern California is home to Gelson's Markets, some of which provide what it calls its Sip 'N Shop service. The upscale markets have extensive wine selections, and many of them also contain in-store bars where patrons can try the vintages before buying them. The new service, marketed on tabletop tents in the bar, recommends that customers arrive with a shopping list for the wider store. Then they can sit down, place an order for a glass of wine and a meal, and hand that shopping list to a store employee. While they enjoy their repast, the employee will do all the shopping for them, then bring the packed up purchases to them when they are ready to leave. Although there is no minimum order for the service, shopping basket sizes have increased by 35 percent among those who use it. It's grocery shopping as a sideline, without any effort by shoppers, who instead get to enjoy going out to eat.

Finally, Jungle Jim's International Market is a vast space that can feel overwhelming. To counteract that uncomfortable feeling, it opened the Jungle Experience Center, where it hosts special events and dinners. A recent event celebrated the 20th anniversary of the release of *The Big Lebowski*, with a themed menu and dress code that suggested guests appear in costume as characters like the Dude or Donnie. Regular five-course gourmet dinners pair food and beverage items available from the store, while showing documentaries about the vineyard that produced the featured wine or the region from which the food was sourced. It's grocery shopping as a themed party.

With these examples, is it possible to even claim that grocery shopping is still a chore?

## Discussion Questions:

1. Why are some grocery retailers including value-added services in their product/service assortments?
2. Which of these services do you believe will have the greatest profit impact for these grocery stores? Defend your answer.
3. Which, if any, of the services mentioned in this abstract would be a strong enough incentive to make you switch grocery stores?



# Will Shoppers Let Walmart Stock Their Fridges?

Jeff Wells, Retail Dive, June 7, 2019

Use with Chapter 17, "Customer Service"



Getting the products into customers' homes is perhaps the central challenge for retailers seeking to address those consumers' convenience demands with effective delivery services. Amazon has long enjoyed dominance in these logistics efforts, but Walmart is seeking to take a different approach that might grant it a unique competitive advantage in a sector where Amazon has yet to succeed fully: grocery delivery.

Combining novel technology with old-fashioned personalized service, Walmart's InHome Delivery service promises to get people's cold food items into their refrigerators, on time and conveniently, even without them being at home. Customers who sign up for the service need to have a smart lock system on the doors of their homes. Then they place an order, and a Walmart employee collects the grocery and other items, comes to their house, gains access, and stocks their pantries, freezers, and refrigerators. For the entire time the delivery employee is in the home, a wearable camera will transmit that person's precise location and activity, so the customer can track exactly what happens during each delivery.

Beyond these technological features, the service promises a sort of personal connection with the person providing it. Customers can read the biographies of the delivery personnel, filled with personal details. Walmart also has noted the extent to which it is training these employees, encouraging them to act as if they were entering the home of a close friend or family member. Other training sessions focus on optimal ways to organize pantries and refrigerators, so when the customer arrives home, all the products are well stocked, clearly visible, and easily accessible.

These efforts reflect Walmart's sense that the grocery sector is where it should be focusing its future delivery initiatives. Although Amazon's Key by Amazon service also requests that customers give the retailer access to some area of their home through smart lock technology (e.g., garages), it does not include groceries among the items available through this service. The idea is more to hide the packages from potential thieves, not to ensure their freshness. Walmart also has gained some ground in the grocery sector with its popular curbside pickup service, such that it already has some capacities in place to ensure that employees select good quality produce for customers.

Still, many consumers continue to express concerns about allowing anyone else to pick their fruit and vegetables. If they already are skeptical about this element, they might be even more suspicious about the viability of letting a stranger into their houses, to peer into their refrigerators. The growth of the smart lock market implies that people increasingly are accepting the idea of letting others in when they are not home, but it remains a salient perceived risk factor that Walmart will need to overcome.

## Discussion Questions:

1. What is Walmart doing to improve its delivery service?
2. As a potential customer, would you partake in this enhanced delivery service? Why or why not? What would Walmart need to do to convince you to try it?

# Amazon Unveils Beauty Store for Professionals

*Cara Salpini, Retail Dive, June 25, 2019. See also "Professional Beauty Products Now Available," Amazon Business Blog, June 24, 2019*

**Use with Chapter 9, "Information Systems and Supply Chain Management," and Chapter 11, "Managing the Merchandise Planning Process"**

Hair stylists, estheticians, and barbers looking to stock the best products for their clientele often must seek out their supplies at various places. Some salons might have contracts with the manufacturers, but in other cases, the service providers hunt through the offerings at their local Sally, Ulta, or Sephora store to find the items that will help their clients look their best. That's the sort of inconvenience that is going to get Amazon's attention eventually.

And thus it has happened: Amazon now hosts a dedicated online store designed just for beauty professionals, where they can find everything they need. Rather than running from store to store (or even clicking from site to site), they can get every brand, every size, and every color in a single location. The prices are good of course, and then the stylist can have the items delivered directly to the salon, rather than having to lug everything from the store to the car and then into the salon.

To gain access to this online store, the professionals must submit their credentials, such as a cosmetology license; regular shoppers do not have access to the professional deals and offerings. Once they do so, Amazon also encourages the beauty professionals to sign up for a Business Prime account, which provides additional benefits. Moreover, the retailer is promoting its newly introduced private label skincare line, suggesting the professionals might want to try out with their customers.

None of these competitive moves is particularly new; Amazon has followed similar paths in other markets. However, they are new in the beauty industry, and the response has been notable. For example, the stock prices for Sally Beauty and Ulta both fell on the day after Amazon's announcement.



## Discussion Questions:

1. Is Amazon a wholesaler or a retailer in this supply chain configuration?
2. Why might beauty professionals choose Amazon over their current suppliers?

# Retail Tidbits

## Shut Out by Shoe Giants, “Mom and Pop” Stores Feel Pinched

*Murray Carpenter, The New York Times, June 18, 2019*

As if competition with huge chain stores, with their vast volumes of inventory and often lower prices, were not challenging enough to independent shoe retailers, many of them are now confronting pressure from upstream in the supply chain. Some of the major shoe manufacturers, including Nike and adidas, reportedly have instituted minimum purchase levels before they will stock a retailer with their popular products. For small firms, those minimums are far out of reach. For example, to achieve the level reportedly required by Nike, \$20,000 worth of inventory, the store would have to order, stock, and sell about 500 pairs of sneakers. Considering that many of these independent retailers function out of tiny storefronts, they cannot even imagine where to put all those boxes, much less how they would get their small town shoppers to buy that many athletic shoes. In response, some stores are closing; industry estimates indicate that the number of independent shoe sellers in the United States has fallen to about 6000 stores. Others are determined to keep their doors open and encourage their customers—many of whom they know personally and have served for years—to consider alternative brands that do not impose the inventory thresholds on them, like Brooks or Saucony. But in so doing, they still confront the challenges of modern retailing. Customers who visit the store to get a professional fitting still can purchase the right pair online. Customers who have ordered online and are unhappy with the fit even might visit the store and take up valuable staff time and attention in their effort to find some solution. Yet the retailers seemingly have little choice. For the big manufacturers, inventory requirements make sense, because in many cases, they would just as soon sell directly to customers through their websites, rather than having to expend the resources to ship tiny pallets of just a dozen or so shoes to a tiny store in Smalltown, USA.