



# RETAILING MANAGEMENT

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## Newsletter for Instructors

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

- [Retail Store Design Tips to Increase Sales \(Infographic\)](#) (Chapter 16)
- [Amazon Returns Are Getting Easier—And More Environmentally Friendly](#) (Chapters 5, 9 & 17)
- [Consumers Are Learning How to Respond to Sales Strategies](#) (Chapters 3 & 4)
- [Madewell's Denim-Led Success](#) (Chapters 5 & 11)
- [Avoiding Labor Laws by Using Technology to Replace Human Cashiers](#) (Chapter 15)
- [Managing the Sales Force and the Merchandise at Old Navy](#) (Chapters 15 & 16)
- [For Walmart, It's the Supercenters, Stupid](#) (Chapter 5)
- [Camp Plans to Earn Revenues, Even Without Selling Toys](#) (Chapters 5, 6 & 11)
- [Collaborating More Widely to Provide Expanding Shipping Options](#) (Chapter 9)

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# Retail Store Design Tips to Increase Sales (Infographic)

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Use with Chapter Use with Chapter 16, "Store Layout, Design, and Visual Merchandising."



# Amazon Returns Are Getting Easier—And More Environmentally Friendly

Tatiana Walk-Morris, "Amazon Expands Its Free Return Policy," *Retail Dive*, December 19, 2019. See also Daphne Howland, "Amazon Partnership Delivering Returns for Kohl's," *Retail Dive*, April 4, 2019; Nick Statt, "Amazon Expands Free Return Policy to 'Millions of Items'," *The Verge*, December 18, 2019

Use with Chapter 5, "Retail Market Strategy," Chapter 9 "Information Systems and Supply Chain Management," and Chapter 17, "Customer Service"

Amazon is a lot of things to a lot of people, but one thing that it has never been able to claim is status as an environmentally friendly retailer. With its vast shipping and logistics services, Amazon accounts for substantial oil and gas usage, potential pollution, and expansive packaging. It cannot stop shipping—that's a primary basis for its competitive advantage—but it is determined to find some creative ways to lower its environmental impacts.

One of these options pertains to returns. In the past, when consumers needed to return various products, they usually would ship the items back to the retailer. For some products, the returns were free; others required consumers to pay the return shipping charges. But regardless of whether buyers paid to make the returns or not, each return shipment required the use of additional resources and logistics tools.



Instead, Amazon is now encouraging buyers to return their unwanted goods to brick-and-mortar stores in their local area, which Amazon has partnered with to support this reverse logistics supply chain. In particular, in a novel partnership, Kohl's retail stores accept Amazon returns of a wide range of products, whether clothing and accessories, similar to what Kohl's sells, or pet supplies and electronics, which might not be in stock anywhere on its shelves.

For Amazon, as noted, the effort enables it to claim greater environmental responsibility. It also increases consumer convenience. This channel accepts more free returns, so consumers do not wind up paying for ordering the wrong thing. In addition, for some people, stopping by a local Kohl's is a lot easier and quicker than having to package the items up again and get to the post office to ship them. Furthermore, in this agreement, the returned products do not have to be packed into a box, so consumers can just bring the unwrapped items with them, without having to struggle with bulky packaging or worrying about finding a new box if the one in which they received the product was damaged somehow.

For Kohl's, the partnership initiative certainly creates more work, such that stores have to have personnel on hand to accept the returns, as well as space to store them until Amazon can come retrieve the items. But it also creates more opportunities for sales. Some data indicate that in areas where Kohl's accepts Amazon returns, store traffic increases. Much of that increase also appears to be due to new consumers, who might not have visited or shopped frequently at Kohl's before. The marketing research—while offering the careful warning that the data appear potentially correlated, not causal—also suggests that sales in these stores increased after the partnership with Amazon came into action, more so than in stores without this return service option.

## Discussion Questions:

1. What is Amazon's new return policy?
2. Why is it implementing this new policy, and what other factors might have influenced its decision?
3. Does this new policy improve or hinder customer service?
4. How has Amazon's return policy affected Kohl's?

# Consumers Are Learning How to Respond to Sales Strategies

Charity L. Scott, "Online Shoppers Learn Their Own Tricks for Outwitting Sellers," *The Wall Street Journal*, December 23, 2019

Use with Chapter 3, "Multichannel and Omnichannel Retailing," and Chapter 4, "Consumer Buying Behavior"



We previously wrote about some of the ethically questionable tactics that online retailers might use to get consumers to buy (see "How E-Commerce Sites Manipulate You into Buying Things You May Not Want," August 2019). But consumers are not all just innocent naïfs, unable to protect themselves. For some savvy shoppers, these manipulations actually create optimal strategies for them to take advantage of the retailer.

Consider pricing tactics that retailers use. Many of them track the items that shoppers put into their shopping baskets. If they don't complete the purchase, the retailer likely prompts them to do so, sometimes even by offering a discount. This moment is what clever shoppers might be waiting for, such that they

rarely make purchases—even ones they plan on completing—unless the retailer ponies up the coupon or discount.

Another option entails leveraging some of the benefits of online shopping, such as the one-click access to competing offers, to perform more extensive research. By comparing offers, consumers might increase their bargaining power and potentially demand lower prices from a particular retailer, because they can show that they can get it for less elsewhere.

Furthermore, experienced shoppers recognize the dark patterns and ethically questionable retailing methods that some sellers use and simply argue that it is up to consumers to remain aware and alert to the tactics. For example, recommended items on websites are similar to displays on end caps in physical stores. When websites claim there are limited supplies left, consumers should remain skeptical, just as they should ask if there is more in inventory when store shelves have limited stocks available.

Thus, even as dark patterns remain a concern and legally and ethically unacceptable, consumers cannot be passive victims. They should act to protect their own interests, such that they might even be able to beat retailers at their own game.

## Discussion Question:

1. What can consumers do to outwit online retailers to get the best deals?

# Madewell's Denim-Led Success

Sapna Maheshwari, "Madewell Diverges from J.Crew as a Darling of Casual America," *The New York Times*, September 17, 2019

Use with Chapter 5, "Retail Marketing Strategy," and Chapter 11, "Managing the Merchandise Planning Process"

It's a little like *A Star Is Born*, but in the fashion industry. Whereas J.Crew remains the parent company of Madewell, the smaller brand is quickly outpacing its originally more famous mentor in terms of popularity, revenues, and consumer appeal. What has enabled this shift?

The main factor appears to be the strategic approach Madewell has taken to designing its product and merchandise assortments. Although denim is central to its offerings—its chief executive even asserts, "We're on a mission to get more butts in our jeans"—it actually earns most of its revenues from denim-adjacent clothing. That is, Madewell makes it easy for casual dressers to pair their favorite jeans with cute, fashionable tops, tanks, and sweaters. And then on a day you might want to be a little more dressy, it makes appealing dresses available as well.



Beyond the actual products on shelves, Madewell also embraces a diverse, omnichannel approach to distributing those items. It is a constant presence in social media feeds, promoting the unique, personalized fit available through its different jean styles. Accordingly, approximately 40 percent of its sales come through ecommerce. But it also maintains about 130 stores, mostly located in upscale malls or on fashionable city corners. In these locations, it hosts fun events, designed primarily for the fun of its customers. Then it also partners with other retailers, including Nordstrom, to ensure its products are widely available in various retail locations.

These distinct approaches clearly set it apart from J.Crew, with its more tailored and preppy style image and presence in virtually every mall in the country. Rather than the relatively straitlaced sensibility created by J.Crew chinos, Madewell embraces a modern aesthetic, not just in its clothing but also in its social initiatives. For example, consumers can bring in used jeans, from any brand, and receive credit in stores. It also highlights its inclusive sizing range, designed to ensure that virtually anyone can find the right fit.

This openness and inclusivity figures into its growth strategy too: Madewell recently went public, even while the parent company J.Crew remains privately held. Everyone can be a part of Madewell, whether by wearing its jeans, reposting its #everydaymadewell hashtag, or buying its stock.

## Discussion Question:

1. From an assortment planning perspective, why is Madewell so successful?



# Avoiding Labor Laws by Using Technology to Replace Human Cashiers

Liz Alderman, "Self-Checkout in France Sets Off Battle Over a Day of Rest," *The New York Times*, December 26, 2019

Use with Chapter 15, "Human Resources and Managing the Store"



Through decades of effort by labor unions and activists, retail workers in France earned the right to a day of rest on Sundays. Stores remained closed, and employees stayed home. But recent developments increasingly encroach on those days of rest, suggesting that closures on Sunday may soon become a thing of the past.

To start, the national government allowed retailers to remain open until 1:00 p.m., but workers still knew they could go home for at least a half-day. Still, competitive pressures and international differences have prompted several retail chains to seek ways to get around even these more lenient limitations.

For example, Groupe Casino, the largest grocery retailer in

France, has installed self-checkout machines in many of its stores. After all the employees go home on Sundays, the doors remain open for shoppers who are willing to scan their own products to complete their purchases.

Groupe Casino notes that it has little choice. Online retailers such as Amazon encourage consumers to believe they should be able to obtain the products they need at any time, so remaining closed every Sunday would put it in an impossible competitive position. Furthermore, it has stores in other nations that do not limit work hours, so opening every day everywhere makes its operations more consistent.

For consumers, the experiment appears appealing: Groupe Casino has reported that thousands of shoppers show up on Sunday afternoons, and the revenues are sufficient to keep the doors open. Thus this technology reliance appears likely to spread, both to more Groupe Casino stores and to other retail chains with a substantial presence in France.

However, another group of people are less pleased with the implications. Checkout staff and in-store employees express great concern about their potential job losses. Once consumers become accustomed to self-checkout technology, there appear to be few barriers to replacing them altogether. Already, approximately 15,000 retail cashier jobs have been lost to technology replacements in France. Furthermore, eliminating requirements to close stores might imply a growing shift toward 24-hour work days.

Beyond these precise concerns though, the changes are prompting some angst among French consumers in general, who worry that the push toward constant availability, 24/7 retailing, and diminished workers' rights represents a contradiction with the very essence of French life. Its culture historically has embraced the idea that people should not be hurried or working all the time. But if machines encourage an "Americanization" of the workforce, they worry that the result will be not just mass unemployment but even the disappearance of French culture in general.

## Discussion Questions:

1. How do labor laws, regarding retailing on Sunday, differ in France and the United States?
2. What are the advantages and disadvantages of allowing retailers to be open on Sunday from retailers' perspective? From consumers' perspective?
3. What is your personal perspective/opinion on this matter?

# Managing the Sales Force and the Merchandise at Old Navy

Andy Newman, "Her Job Requires 7 Apps. She Works Retail," *The New York Times*, December 26, 2019

Use with Chapter 15, "Human Resources and Managing the Store," and Chapter 16, "Store Layout, Design, and Visual Merchandising"

As Old Navy works to make it easier for consumers to buy, the jobs performed by the employees tasked with helping them become rather more difficult. In today's brick-and-mortar stores, the sales personnel and managers on the floor take on a vast range of roles and jobs in their efforts to meet the diverse goals that the company sets.

For example, every employee is equipped with a company-issued mobile device so that they can receive constant alerts. Those alerts prompt them to engage in different sales and service behaviors. For example, one ping indicates that the last size small of a certain shirt has been sold, so the retail worker needs to bring new inventory to the floor. Another alert reminds cashiers to request and encourage shoppers to provide their contact information or sign up for an Old Navy Credit card. Yet another link signals that a consumer has placed an order online and plans to pick it up in the store, so the employee needs to go pick out the items, place them in a bag, and put the package onto the dedicated "BOPIS" (buy online, pickup in store) shelf.



These alerts go to all employees; the floor manager for each shift receives even more of them. For these retail supervisors, Old Navy also recommends times to encourage other employees to express enthusiasm and excitement. At another moment, the corporate alert might suggest handing out branded reusable shopping bags to lucky shoppers or announcing limited time specials for people in the store.

But these workers also are performing all the traditional tasks of a retail employee, such as arranging and cleaning merchandise displays, checking out customers, and helping people find the products they have come to the store to purchase. In general, retail employees work harder today than might have been the case in the past. To encourage these extra efforts, Old Navy offers contest-based incentives, recognizes stellar employees with bonuses, and asks its managers to create a positive and encouraging atmosphere in stores.

The efforts appear successful thus far. Old Navy continues to outperform its parent company, The Gap, and plans to open around 800 new stores in the near future. Such promising outcomes contrast with wider trends, including evidence that the number of jobs available in the retail clothing industry have declined by around 9 percent in the past five years.

## Discussion Questions:

1. What types of roles does Old Navy expect its in-store employees to perform?
2. What are the advantages and disadvantages of such expectations, for employees and the company?

# For Walmart, It's the Supercenters, Stupid

Sarah Nassauer, "Walmart's Secret Weapon to Fight Off Amazon: The Supercenter," *The Wall Street Journal*, December 21, 2019.

Use with Chapter 5, "Retail Market Strategy"



It might sound strange, in the e- and mobile commerce era, to hear the Walmart CEO claim that bigger stores and supercenters are the wave of the future. But in Walmart's most recent strategic plan, these stores do far more than stock goods and maintain checkout lines. In this vision, the supercenters are the foundation for every advance, innovation, and service that the retailer will achieve, ensuring its competitive success in its ongoing battle with Amazon.

This emphasis is a radical shift from a previous strategic vision that depicted supercenters, ecommerce, and smaller stores as equally important parts of the whole. But Walmart has realized that it cannot keep competing with Amazon on the battlefield that the ecommerce giant built. Instead, it believes that it needs to go back to its roots too, namely, to the big, always open, one-stop shopping locations that consumers still seek out to purchase needed items but also to interact with others in their community.

The supercenters also promise to evolve beyond that historical status. In particular, Walmart wants to take the lead in the edge computing market. In this domain, data get gathered and applied near where they are most beneficial. Instead of uploading all the information that the supercenters gather minute by minute to a remote cloud, Walmart would specify how customers in a particular store were shopping and for what. With that location-specific information, it can improve its inventory, shipping, and warehousing operations.

In addition to benefitting its own operations, Walmart hopes to leverage its existing infrastructure, together with investments in these novel technologies, to sell valuable insights to its partners in the supply chain. Thus for example, it might achieve more efficient logistics, warehousing, and shipping capabilities, which would help brand manufacturers improve their own supply chain efforts. Assuming the benefits are substantial enough, Walmart could charge the sellers to use its systems and earn new revenues that way.

Such efforts require bigger, not smaller, stores, because the operations would be located in the same space. In turn, with larger spaces, Walmart could ensure fewer stockouts of products that customers want, including perishable groceries or difficult-to-maintain popular items. It also could add new service offerings; health care options are a likely addition in the near future, for example. Another predicted expansion focuses on delivery services, whether provided by conventional drivers or by autonomous vehicles, informed and directed by the company's edge computing capabilities.

Thus in a sense, Walmart is aiming to embrace advanced, future-looking technology innovations by falling back on its historical legacy of physical locations as a valuable resource. That's something that Amazon cannot claim or likely achieve, suggesting that it may be the unique feature that allows Walmart to set itself apart.

## Discussion Questions:

1. How does Walmart plan to compete with Amazon?
2. How does this plan differ from its previous approach?
3. Does the plan appear likely to succeed? Why or why not?



# Camp Plans to Earn Revenues, Even Without Selling Toys

Margot Boyer-Dry, "This Toy Store Invites Children to Play. But Will It Sell Anything?" *The New York Times*, December 19, 2019; Lauren Debter, "Camp Wants to Be America's Favorite Place for Toys. Selling Them Is Secondary," *Fortune*, December 14, 2019.

**Use with Chapter 5, "Retail Market Strategy," Chapter 6, "Financial Strategy," and Chapter 11, "Managing the Merchandise Management Process"**

When it comes to toy stores, the concept of experiential retail is pretty hard to distinguish from the offerings available in amusement parks. This point is clear in Camp stores, a new, small chain of experiential toy stores that feature rotating play themes and invite parents to visit for the day to keep their kids entertained.

The changing themes mean that families can return again and again, without much fear of growing bored. Thus for parents who sense that their children don't want to visit the library again or are unwilling to pay for trips to a zoo or museum every day, Camp likely seems like a godsend. Kids are encouraged to check out interactive displays and can play with virtually everything in the store. There are no entrance fees or minimum purchase requirements.



But without inducements to buy, can Camp make any money? The toys are certainly available for purchase, but many parents note their plans to keep track of their children's preferred toys, then order them from Amazon at a lower price than the small retailer is forced to charge. Such showrooming has been a substantial challenge for many retailers, including those now-defunct toy companies like FAO Schwartz and Toys 'R Us that might once have competed with Camp.

The founder of the company sounds unworried though, noting that in addition to the free experiences and play spaces, Camp offers fee-based programs. For example, parents can pay an hourly fee to sign their children up for craft demonstrations that help them build their own snowglobes, exercise-oriented yoga or tumbling classes, or performance instruction in live music or stand-up comedy. And if the parents have simply had enough, they also can pay for drop-off babysitting services provided onsite.

Another stream of revenue comes from sponsorship and product placement opportunities. Toy brands can sponsor a particular theme for the play spaces, ensuring that their products are among the ones most accessible to the children. The opportunities go beyond toy companies though. A paid cooking program relied on a sponsorship from Bounty paper towels, and a seed-growing instructional class received support from Scott's Miracle Grow.

Notably, the five stores opened thus far all are located in neighborhoods with substantial populations of young, relatively wealthy families. In New York City for example, the 5th Avenue location is nearly the only play-oriented space for blocks. For parents desperate to get their kids out of the house, to burn off some energy, the value that Camp offers might be so great that they will do anything, including buying stuff, to keep it around.

## Discussion Questions:

1. How is Camp different from other toy stores that have failed?
2. Do you believe it will be successful?
3. How do you expect the financial ratios discussed in Chapter 6 to differ for Camp, Amazon, and Walmart in the product categories that Camp carries?

# Collaborating More Widely to Provide Expanding Shipping Options

Warren Shoulberg, "Old Navy Sails into Same-Day Delivery with Postmates," *Fortune*, December 12, 2019; Sarah Perez, "Target Integrates Shipt's Same-Day Delivery Service into its Mobile App," *TechCrunch*, November 14, 2019

Use with Chapter 9, "Information Systems and Supply Chain Management"



Delivery services are convenient, easy, and appealing—for consumers, that is. For providers, they can be challenging, expensive, and frustrating, but also necessary if the goal is to keep customers happy. In their efforts to overcome the challenges, more companies are working together, seeking economies of scale, access to new customers, and lessons learned from delivery experts.

For example, by working together, Old Navy and Postmates believe they can create a new type of supply channel. Postmates mostly has focused on delivering fresh, hot meals, but it can add in a pair of jeans or a flannel shirt to its delivery bags relatively easily. Thus it gets its name out to people who

might be ordering from other food delivery services and perhaps attracts new customers. It also benefits from its share of the \$8.99 delivery fee. In parallel, Old Navy can offer same-day shipping to its customers, without having to invest in the logistics infrastructure that would be necessary for it to establish such operations on its own.

Other collaborations involve Shipt, which works both with Target, the company that owns it, and the home goods retail chain Sur La Table. Target has added the Shipt delivery option directly into its mobile app, such that customers can obtain the added value service with a simple click. Although it does not achieve the same level of integration with Sur La Table, it promises delivery options in as little as one hour, which may be beneficial for hosts who find themselves short a decoration or two before a dinner party. To cover its costs, Shipt offers consumers two options: a \$9.99 per delivery charge or an annual fee of \$99.

These delivery-based collaborations are novel in the sense that the focal products do not have the same time constraints as, say, a hot meal or perishable groceries do. But the partners are betting that customers value having even basic household goods delivered quickly and easily, leading to benefits for everyone involved.

## Discussion Questions:

1. What non-food retailers are experimenting with same day delivery?
2. Same day delivery is costly. How do these retailers justify this cost?