



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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No Flights, No Passengers, No Retail?

Benjamin Katz, "Airport Shopping Has Been on a Tear for Years. Now What?" *The Wall Street Journal*, August 29, 2020

Use with Chapter 7, "Retail Site Location"



London's Heathrow Airport is one of the busiest transport hubs in the world, getting nearly 80 million people to global destinations in 2019. That's a lot of shoppers, many of whom have spare time after getting through security, which they might spend browsing retail offerings.

Or at least, it was a lot of people. Recent data indicate that in July 2020, Heathrow Airport hosted about one-tenth the number of passengers it would expect in a regular month. The COVID-19 pandemic and its toll on travel, both domestic and international, has vastly reduced the number of consumers purchasing flights, but also the numbers of those purchasing the retail products and services available in terminals.

Beyond the dramatic decreases in the number of shoppers, pandemic-related regulations on retail operations have limited sales

opportunities too. Stores must enforce social distancing and provide hand sanitizer stations, which are relatively difficult requirements to implement in the warren-like designs of many duty-free stores. These shops have sought to help consumers get "lost" in their stores, so that they could stumble upon some perfume, liquor, or treat that would surprise and delight them. But finding appropriate places to install sanitizer stations for consumers who are lost in the aisles is difficult to do.

Even more difficult is the decision whether to open at all. Many of the shops, as nonessential businesses, were forced to close in the early days of the pandemic. Reopening their airport storefronts does not necessarily make sense, from an operational standpoint, because they would incur the costs of operating the store (e.g., staffing, lighting, inventory) without much promise of earning revenues from the comparatively few travelers in the airport. Thus at Heathrow, only about 60 of the 340 firms that have stores inside the terminals (which includes a lot of food retailers) have reopened.

Those travelers are more suspicious too, demanding remote ordering options for food and snacks. They might feel the need for a cup of coffee or a sandwich as they travel, but their immediate demand for clothing, souvenirs, and jewelry is less pressing. Thus, even if consumers are in the airport, and stores are open, there is still no guarantee of sales in the modern coronavirus setting.

These developments are difficult for the retailers in terminals, which in turn have powerful impacts on the airports themselves. Most airport operators choose not to charge rents (or at least, not substantial ones) and instead enter into agreements with the retailers they house, to take a percentage of their sales. At Heathrow, that source of income accounted for about one-quarter of its total revenues prior to the pandemic, and the amounts had been increasing steadily for over a decade. The increases came mainly from more travelers. That is, people's average spending in airports did not increase and instead remained steady at about \$18 per passenger. But there were more of them streaming through the terminals in recent years.

Not anymore, of course. Still, the airport notes that stores continue to open slowly, and there are some promising signs—like the recent, notable purchase of a nearly \$90,000 diamond engagement ring from Tiffany & Co. in the airport. Just a few more sales like that, and the airport might be back in business on all fronts.

Discussion Questions:

1. How should retailers with store locations in airports decide when to reopen?
2. What kind of shopping do most consumers engage in while traveling? How have those behaviors changed in the COVID-19 era?

A Different Kind of Buyer's Market: Retail Tenants Still in Business Demand New Lease Agreements from Landlords

Esther Fung, "Retail Landlords Offer Pandemic Clauses in New Leases," *The Wall Street Journal*, August 25, 2020

Use with Chapter 7, "Retail Site Locations"

In basic economic theory, when supply outpaces demand, it becomes a buyer's market, because the seller needs to get rid of inventory to make a profit. That essential principle applies to real estate markets too, including those in which the key players are development corporations and owners that maintain malls, buildings, and other retail sites and the retailers that want access to those spaces.

During the COVID-19 pandemic, forced closures of nonessential businesses altered the appeal of different kinds of spaces for various types of retailers, while also creating a glut of closures and bankruptcies. For the actors who remain, the environment thus has changed, and both retail tenants and landlords are seeking to change their agreements to reflect those developments. The creative options take several forms.



In particular, many landlords are offering rent breaks, pauses, or reductions. If a business cannot operate at all, or its sales are down because shoppers prefer not to enter stores during the pandemic, it cannot keep up with a conventional rent payment. Rather than force them out, landlords are agreeing to accept lower base rates, sometimes half what the retail tenant had been paying. Whether the tenant ultimately will need to pay the accrued back rent varies; some landlords are saying they will take future installments, once the retailers are profitable again, while others anticipate writing off the gap as a loss.

Another option eliminates a base rent payment altogether, such that the landlord instead takes a percentage of any sales profits the retailer earns. This option has some appeal, in that as sales increase, so does the landlord's income. However, if a retailer never really recovers, a percentage of its weak sales might not be enough to cover the landlord's expenses.

One developer in Detroit offers a different incentive for retailers to keep working to remain operational: It promises them access to their security deposits if they use that money to renovate or reconfigure stores so that they can compete better in the pandemic era. For example, if a coffee shop wants to add more kitchen facilities, so that it can increase food revenues, the developer would help it do so by handing back the security investment that the existing tenant paid to move into the storefront in the first place.

Regarding existing uses, some landlords also are adjusting leases to allow for more pandemic-related flexibility. For example, many restaurants are opening more outdoor seating in previously restricted spaces, such as parking lots and sidewalks. Retailers of different formats also are seeking ways to support enhanced delivery or curbside pickup operations, which might require landlords to rescind or soften language in existing rental contracts that prohibited such efforts.

Some tenants also are requesting the addition of force majeure agreements (often known as "act of God" clauses, which state that when events outside anyone's control, such as natural disasters, prevent two parties from completing a contract, no one is liable). Heated regulatory and legal arguments continue regarding whether the COVID-19 pandemic represents a force majeure, but regardless of the legal standard, landlords would prefer to avoid this designation. Instead, they might propose kick-out clauses, such that if a tenant does not reach some threshold level of sales, it can break the lease without further penalty.

Rather than just rents, another lease consideration involves the length. Shorter contracts can reduce the risk for tenants; even if they fail, they are not locked in to a multiyear rental contract. Although this option increases the amount of work for landlords, who would prefer to rely on guaranteed income from a steady tenant, it may be unavoidable in the uncertain, difficult pandemic era. Working harder to ensure some income is preferable to doing nothing and seeing empty retail locations that don't provide income for anyone.

Discussion Questions:

1. What are some of the different ways landlords are changing leases in the wake of the coronavirus?
2. What other implications might a buyer's market for retail locations have for retail tenants? For landlords?

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Food Trucks on the Move, Following Consumers to Where They Work Now

George Anderson, "Food Trucks Find Good Parking Spaces in the Suburbs," *Retail Wire*, August 27, 2020.

Use with Chapter 7, "Retail Site Locations"



Working from home might change a lot of things for employees, but it doesn't eliminate a key requirement: the need for a midday break and options for a quick, tasty, enjoyable, inexpensive meal. When they were working in city centers and office buildings, they often would visit food trucks parked in nearby lots or streets. Sales by these mobile retailers thus had enjoyed a previous decade of substantial growth, averaging about 7 percent each year.

Due to COVID-19 lockdowns and persistent work-at-home trends though, more people are getting their jobs done in the room next to their own refrigerators. Even if they can raid their leftovers, many people still like the idea that they can pop out for lunch once in a while. And so, the food trucks have moved too—to parking lots and convenient locations in suburban areas, closer to people's homes rather

than their offices.

The location revision requires some changes to the food truck firms' strategies too. Rather than parking consistently in the same urban location each day, many of them announce a particular neighborhood as their target location on a specific day each week. Thus people living around a certain neighborhood might know that on Tuesdays, they can find their favorite taco truck, just a short drive away. Others are leveraging their mobility more actively, moving around to catch people in different blocks and streets, somewhat similar to the model adopted by old-fashioned ice cream trucks.

Whatever option they choose though, the food retailers are determined to embrace a relatively basic proposition: The best location is the one where your customers want to find you.

Discussion Question:

1. Are suburban locations likely to continue to be good options, as the pandemic-related restrictions continue to loosen? Why or why not?
2. Should food retailers with conventional, fixed locations consider investing more in mobile food trucks?

Lean ... but Brittle Instead of Flexible: How an Inspirational Supply Chain Practice Continues to Hinder Retail Practices in the Pandemic

Sharon Terlep and Annie Gasparro, "Why Are There Still Not Enough Paper Towels?" *The Wall Street Journal*, August 21, 2020

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

In considering the range of influences that the COVID-19 pandemic has had on retail supply chains, paper towels provide an instructive, comprehensive example of just how business practices, drives toward efficiency, and shifting retailer power created a perfect storm—without any paper towels left (literally or figuratively) to mop up the mess.

Let's start with the idea of lean manufacturing, a popular theory that suggests that supply chains should only hold as much inventory as they need in the immediate future. Also referred to as "just-in-time" approaches, these business practices seek to make the supply chain as efficient as possible. If the manufacturer only makes as much as the retailer orders, which is only as much as consumers buy that week, then there is no excess inventory clogging up the system and requiring expensive storage facilities. Those expenses are especially high for bulky items like paper towels. If a retailer is faced with a glut of them, it has to struggle to find places to stick the huge packages.

Lean operations also make logistics more efficient, because all the members of the supply chain can plan their capacity nearly perfectly, knowing exactly how much they will be shipping and receiving. A pallet of paper towels takes up a lot of room in the truck, but if it is only there when needed, the supply chain can plan accordingly and also ensure that all the shipping containers are perfectly full.

These practices, generally attributed to engineers at Toyota, have grown so popular that "lean" operations came to represent nearly an end goal unto themselves. Investors complained about any excess, and powerful retailers such as Walmart demanded precise inventory controls. If a shipment of products from a manufacturer arrived either too late or too early, it punished that supplier with monetary penalties. For the consumer good manufacturers that make paper towels, among a broad range of other consumer products that tend to appear on Walmart's shelves, those demands were integral to their extensive, intricate agreements with the retail giant. They readily accepted them to ensure that their products would be available, with optimal shelf placements, to the millions of consumers browsing Walmart's aisles.

But then came the pandemic. Perhaps the biggest challenge of lean operations is an unexpected increase in demand. Without excess inventory as a cushion, the supply chain cannot fulfill consumers' demands if they suddenly and unexpectedly increase—such as when the coronavirus hit. Consumers' demands for various household products skyrocketed. They wanted sanitizing wipes to protect against transmission of COVID-19, and if those were out of stock (which they frequently were), consumers instead sought out disinfectant spray and paper towels. Stores quickly upped their orders for all these consumer goods, but the shelves emptied more rapidly than they could get inventory to restock them.

Without any excess stock, even as retailers kept demanding more and bigger shipments, the manufacturers did not have anything to ship. In addition, their lean strategy extended to their factory operations too, such that they did not have the basic capability to produce any more. One Georgia-Pacific plant, already operating at nearly full capacity, decided to focus all its production on a single product line, rather than the various options it had rolled out previously, to reduce the time required to switch the machines' settings. This move increased its output by about 25 percent—but demand had jumped by more than 100 percent.

Most plants already operated multiple shifts; they could not simply run for longer hours. Furthermore, the machinery involved in producing paper towels is expensive and massive, so it was not as if the consumer products suppliers could simply build new factories. Expansion efforts would have required several years of planning and building. Furthermore, manufacturers have expressed hesitation about the wisdom of committing to a massive growth effort, without any assurance that demand will remain at its current high levels. It is not as if they can just ship excess paper towels to overseas markets, because (as noted) the shipping costs for these bulky products are too high.

According to scholars familiar with the theory behind lean operations, the situation shows that the retail supply chain failed to implement all of its nuances and elements. That is, the theory for just-in-time manufacturing emphasizes the need for backup stock, held in inexpensive locations, just in case of emergency. But it appears that for paper towels, the members of the supply chain forgot about that caution in their persistent drive for ever-increasing efficiency. Skipping this step might be part of human nature too; with apologies to Monty Python, no one expects a pandemic.

But a pandemic, or epidemic, or natural disaster, is nearly always apt to happen. And people need household supplies to deal with such events, suggesting a key lesson to be learned by supply chains for paper towels, as well as cleaning products, food items, and so on. Lean is good. Flexible is even better.



Discussion Questions:

1. Define the concepts of lean operations and just-in-time manufacturing.
2. What features of modern supply chains have led to paper towel shortages?
3. How have consumer product goods companies tried to increase output?

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Getting Consumers into the TerraCycle Loop by Designing Stores for Container Returns

Katie Deighton, "Retailers Design the In-Store Experience for Reusable Packaging," *The Wall Street Journal*, August 17, 2020

Use with 4, "Consumer Buying Behavior," Chapter 5, "Retail Market Strategy," and Chapter 16, "Store Layout, Design, and Visual Merchandising"



In grocery stores around the world—including Krogers in the United States, Carrefour locations in France, Tesco stores in the United Kingdom, Aeon in Japan, and Loblaws in Canada—shoppers may soon find dedicated corners offering a unique value proposition. These corners will house Loop stations, the name used to refer to a package recycling and reuse innovation by a company called TerraCycle.

At these Loop stations, consumers will be able to return cartons and containers that previously held food and consumer goods items that they have bought and consumed. When they purchase the products, such as ice cream, deodorant, or detergent, they receive them in a metal container. Rather than throwing the packaging in the garbage when they are done, they bring it back to the store. The container itself gets cleaned and processed for reuse; the consumer grabs a new package from the shelf. The system requires a deposit, to encourage

consumers to return the metal containers, but once they return the packaging, that deposit would be refunded, or simply rolled over to their next purchase. In some ways, it is a little like an old-fashioned milk delivery model, just in stores instead of at people's doorsteps.

To encourage consumers to shift their behaviors and embrace the reusable model, Loop and the partnering retail stores are designing the Loop corners carefully. The corners will be distinct from the rest of the store, signaling a novel retail experience. The open designs aim to prompt people to pick up the containers, which themselves are designed to be aesthetically and intuitively appealing. Most stores will likely have an employee on hand, to answer questions and explain the process. Furthermore, though the products will feature their parent brand, such as Haagen-Dazs and 7th Generation, the packaging and displays also will clearly label the items as related to Loop.

Another in-store design consideration involves the logistics for receiving used containers. One proposed design relies on a smart bin, which can automatically scan returned items and refund deposits automatically. The other instead uses a less technology-oriented, passive bin, such that employees would collect and scan the containers at regular intervals and refund deposits only later. Although not currently available, in the future, TerraCycle hopes that centralized operations would allow a shopper to scoop up a carton of ice cream at one grocery store, such as while out on a bike ride, then return it to another store, perhaps the one near their house.

These novel experiences and operations will require buy-in from various actors, but TerraCycle is confident it can achieve it. Already the company has partnered with or received investments from Kroger and Procter & Gamble, meaning that it has both manufacturing and retail connections. The key remaining question is whether it can get consumers, who likely do not remember milk delivery but might embrace the sustainability promise of reusable containers, to accept the new retail experience.

Discussion Questions:

1. Will customers be willing to pay deposits, buy products in reusable containers, and return them for reuse?
2. How are retailers planning to create shopping experiences around these products?

Which Retailers Are Rebounding, and Which Are Still Struggling, as the Pandemic Persists? An Analysis Based on Retail Employment Numbers

Eric Morath and Danny Dougherty, "Retail Stores Add Jobs as Shoppers Return," The Wall Street Journal, September 5, 2020; Sebastian Herrera, "Amazon Is Hiring and Expanding Its Offices: Inside the Tech Giant's Strategy," The Wall Street Journal, September 4, 2020.

Use with Chapter 2, "Types of Retailers," and Chapter 15, "Human Resources and Managing the Store"

In the United States, government stimulus efforts aimed, among other things, to encourage consumers to spend more, to keep the economy going. In response, and as lockdown mandates start to lift around the country, some retailers are not just recovering but gaining ground, relative to the damages they suffered during the COVID-19 pandemic. But other sectors continue to struggle, without any end in sight.

To understand these effects, a key measure is employment. That is, we can categorize rebounders and strugglers according to whether they are hiring back laid-off workers or even expanding their personnel rolls, or if their numbers remain depressed. Such an employment-based analysis reveals a few notable trends.

In particular, general merchandise retailers such as Walmart and Costco continue to do well. They were perhaps the best protected from the damage of the pandemic, because they were quickly classified as essential. Their employees thus continued reporting for work. As consumers purchased more items for their homes, these stores even had to expand their human resources, such that employment in this retail sector was 10 percent higher in August 2020 than in February, prior to the spread of the coronavirus in the United States.

Some specialty retailers also are looking for more help, including those that sell electronics, garden supplies, and appliances. Their concentration aligns with consumers' enhanced interest in entertaining themselves at home, whether by playing video games or by planting a garden. But other specialty retailers, such as those that sell apparel and those located in malls, continue to eliminate jobs. Across clothing stores for example, employment rates have dropped by about 30 percent since February.

Another notable effect involves primarily online retailers, which had to hire massively to keep up with the dramatic increase in demand from consumers quarantining and social distancing. Even as some restrictions have loosened, these retailers continue on a hiring spree. At Amazon, those increases span nearly every branch of its operations, including 175,000 warehouse and delivery workers and 3500 office and corporate personnel. Such jobs may be especially beneficial, in terms of economic recovery efforts, in that unlike many retail jobs, they are not necessarily temporary or seasonal.

Still, even as retailers have brought back many jobs, retail employment is down. The sector cut 2.4 million jobs in the spring, and only 1.7 of those have been rehired. For retail workers, the best bet might be to pay attention to the types of retailers to which they are applying. Finding an employment sector that is rebounding seems more likely to support a successful job search than submitting applications to a sector that remains constrained by COVID-19.

Discussion Question:

1. Which sorts of retailers have been most affected, in terms of their human resources, by the COVID-19 pandemic?
2. Are existing employment trends likely to persist?
3. How has the pandemic effected Amazon's hiring strategy in particular?



Lemons Are to Lemonade as Distressed Retailers Are to Success for Retail Ecommerce Ventures

Aisha Al-Muslim, "Pair of Entrepreneurs Aim to Refashion Zombie Retailers into Online Powerhouses," *The Wall Street Journal*, August 25, 2020

Use with Chapter 5, "Retail Market Strategy"



Even if the prospects for retail brands' future success are bleak, they retain certain valuable features, including the intellectual property they have built over time. The challenge is figuring out how to continue making money off familiar brand names, designs, jingles, and trademarks, even after the retailer can no longer operate in a conventional sense.

Enter a new investor, called Retail Ecommerce Ventures, or REV. The foundational business plan for the venture is to purchase distressed retail companies, on the brink of bankruptcy, then close all their physical stores while leveraging, improving, and building their online operations. Thus far, REV has purchased six brands, including Pier 1 Imports, Dress Barn, Linens 'n Things, and Modell's Sporting Goods, converting each of these once-popular retailers

into exclusively online shops.

The domain names, social media pages, and other mobile and ecommerce channels remain in place, so a consumer searching online for a blouse at Dress Barn will still be able to find it, as expected. But in addition to keeping that element consistent, REV pumps up social media efforts for each label, determined to drive more consumers to mobile and ecommerce channels to find the funky international décor they love at Pier 1 Imports or the running shorts that they know fit them well at Modell's.

To decide whether to purchase these struggling brands and their intellectual property, REV applies several criteria. Notably, it has to anticipate that the remaining retail brand can generate at least \$10 million in weekly revenue. It looks at the existing customer base and whether shoppers appear dedicated and loyal to the brand, such that they are likely to keep buying from it. Furthermore, the purchase price for these properties must be low enough; some retailers struggling to survive simply are not distressed enough to lower their prices to the point that REV believes it can turn a profit. Thus for example, it chose not to invest in Forever 21, American Apparel, or Barnes & Noble.

But for the companies in which it has invested, REV looks like a lifeline. They get to remain in existence, with at least some jobs still intact. And for Dress Barn, the changeover has meant a twofold increase in revenue in just one quarter.

Discussion Questions:

1. Why does REV acquire existing retailers instead of creating new ones?
2. What are the advantages and disadvantages of operating a familiar retailer entirely on an online platform?

Grocery Delivery Fulfillment Using So-Called Dark Stores: A Reimagined Use of Space in the Ecommerce Era

Matthew Stern, "Is Whole Foods' E-Grocery Business Headed Down a Dark Path?" *Retail Wire*, September 3, 2020; Kelly Tyko, "Whole Foods Without Shoppers: Amazon Trying out 'Dark Store' as Part of Vision for Future of Online Grocery Shopping," *USA Today*, September 1, 2020

Use with Chapter 3, "Multichannel and Omnichannel Retailing"

When retailers refer to their dark stores, they don't mean turning out the lights in the stores themselves. Rather, they simply are not available to consumer shoppers. In an initiative begun before the COVID-19 pandemic but clearly reinforced by it, several retailers seeking to achieve dominance in grocery ecommerce have built or transformed stores to facilitate delivery operations, quickly and efficiently.

In the dark stores, long aisles and coolers still stock popular and frequently purchased food and household items. But there are no prepared food stations. Nor are there any conventional consumers. Rather, the doors are open only to delivery drivers, who gain ready access to the products they need to pick and pack. The designs of dedicated dark stores facilitate their efforts, rather than devoting space to promotional or emotionally appealing displays. Furthermore, without unhurried shoppers to get in their way, the delivery service providers can get in and out more quickly, increasing the efficiency of their operations.



Although a few stores opened expressly with this design, the pandemic also rushed the experiment along. In response to the massive increase in demand that it experienced, Amazon converted six Whole Foods stores to enable dark operations, allowing drivers working for it to get the requested items to shoppers on lockdown. Although it has returned four of those stores to regular operations, the virus-imposed experiment highlighted the possibilities of this distribution method.

Other stores also experimented with the idea, though in more limited form. For example, a few stores stayed open to regular consumers until midday, then became dark stores in the afternoon and evening hours. If demand for grocery delivery options continue to grow, as many retailers predict it will, more stores might convert to partial dark operations too.

Discussion Questions:

1. What is a "dark store"?
2. What are the benefits of dark stores for online grocery retailing?
3. Will retailers continue using dark stores after the pandemic?

Global Sneaker Culture, in Local Form, at Foot Locker Power Stores

Tom Ryan, "Will Hiring Locals Help Stores Drive Better Results?" *Retail Wire*, August 28, 2020

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



Sneaker culture might be global, spanning national boundaries and economic strata. But it also is distinctly local, in that sneakerheads seek recognition and acknowledgment from their immediate reference group. Therefore, Foot Locker sites that adopt the Power Store design are explicitly determined to leverage local talent in staffing their sneaker-centric stores.

The Power Store versions of Foot Locker stores tend to be large and, rather than reflecting the standard look of the chain, specific to local areas. Therefore, the store designs themselves feature local artwork; in the Compton, Calif., store, two local artists took control of all interior and exterior design features. Detroit's store features art installations by a Detroit native, Désirée Kelly, who cites the city's "history and heritage" as the inspiration for her works.

Beyond hiring local talent to inform their appearance, the stores are dedicated to hiring local staff. In partnership with the City of Compton, it worked to recruit applicants for new positions for example. Furthermore, the different Power Stores hold neighborhood cleanup events, help maintain community gardens, and seek out local brands that might install their products in the stores, along with the famous name sneakers.

Two other Power Stores are in the United Kingdom, in Liverpool and London, with another in Hong Kong. Further stores are planned for Milan, Philadelphia, New York, and Los Angeles. Wherever they open though, the goal is to ensure employment for local workers, while spreading the values of sneaker culture around the globe.

Discussion Questions:

1. Why might Power Stores adopt a local approach to their store design and hiring?
2. What are some limitations of such a local approach?

The Drones Are Coming!... Someday. A Step Forward in Amazon's Ambitious Plans for the Future

Sebastian Herrera and Andy Pasztor, "Amazon Gets U.S. Approval for Drone Fleet, a Package-Delivery Milestone," The Wall Street Journal, August 31, 2020; Concepcion de Leon, "Drone Delivery? Amazon Moves Closer with F.A.A. Approval," The New York Times, August 31, 2020

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

Several years ago, Jeff Bezos boldly promised that drone delivery would be ready nearly any time now. His timing prediction was off by quite a lot, but the underlying idea remains a priority for Amazon, and it recently passed a major hurdle in its continued efforts to achieve that goal.

Specifically, Amazon recently received approval from the U.S. Federal Aviation Administration (FAA), allowing it to develop and establish a "fleet" of drones for package delivery. Approval does not mean the small machines will be filling the skies tomorrow. But it does allow Amazon to test its existing designs of drones that can drop a package at an individual consumer's doorstep, nearly immediately after the order was placed.



Several other companies also have such approval, including UPS and a delivery-specific company called Wing. Both of those have run limited trials as well, mainly in less populated areas. But the competition clearly is fierce, as each provider wants to be the first to achieve a viable solution that will allow rapid, efficient, automated delivery operations.

The hurdles that remain are notable though. For example, the FAA still would have to develop a means to track the potentially millions of drones that might be flying through the air. It also needs to determine what rules and standards it will require for heavily populated areas, unlike the relatively easier rules in place for unpopulated geographies. Distinct air traffic control systems also must be developed. The current systems, created to control larger airplanes and jets, do not have the capabilities to identify, track, and monitor the smaller devices.

Some of those issues and concerns already are being addressed, at least partially, by Amazon's designs. The most recent drone it has released features sensing technology that enables it to avoid collisions with other objects. These devices can complete an approximately 15-mile round-trip journey, which should limit the chances of a loss of power before they return to the delivery hub. That is, it appears that Amazon knows its next steps, following its achievement of this approval goal, and is on its way to overcoming the next hurdles too.

Discussion Questions:

1. What does FAA approval mean for Amazon?
2. What companies appear best positioned to gain a dominant position in the drone delivery market?

A Natural Experiment in How Consumers React to Environmental Changes

Kim Severson, "7 Ways the Pandemic Has Changed How We Shop for Food," *The New York Times*, September 8, 2020

Use with Chapter 4, "Consumer Buying Behavior"



For researchers who study how consumers behave, the COVID-19 pandemic has been a treasure trove of novel data. Their environment changed rapidly and unexpectedly, so observing how they responded provided a kind of natural experiment. What happens when shoppers are suddenly forced to alter their shopping behaviors?

A lot, it turns out, though there are some general and recognizable trends. In particular, when people seek to avoid stores, to limit their risk of exposure to the coronavirus, they buy more, more carefully, and more precisely. Grocery stores saw increased basket sizes but less frequent trips, as people tried to limit themselves to one or two risky trips to the store per week.

As a result of their self-imposed limits on the number of trips they would make, more shoppers started making and sticking to careful lists. They relied on known brands and standard options and were less swayed by promotional offers, unwilling to take the risk on a never-before-tried product. Nostalgia swayed many adult buyers too, giving cereal brands and other childhood favorites a boost.

Purchases of stable goods skyrocketed too. Pastas, canned vegetables, and frozen goods gained massive popularity, because they could be stockpiled for the entire week. Another sales trend might have been a little harder to predict, but it made sense in hindsight: the uptick in purchases of oranges. Faced with great threats to their health and well-being, consumers seemingly wanted a healthy snack, with proven benefits in fighting other viruses (e.g., the common cold), and in addition, oranges have longer shelf lives than many other fruits.

Of course, online sales increased, but for people visiting the store, certain pandemic-imposed design shifts also appeared attractive. Shoppers noted their preferences for wider aisles and bigger gaps while waiting at the checkout. Such insights should prove helpful for grocery retailers, who likely should consider retaining these elements, even if the pressing needs for social distancing diminish in the future.

Finally, as the bread-baking phase of the lockdown showed, people are growing far more comfortable with cooking at home. Even as restaurants open and serve more people, the pleasure to be gained from crafting a meal by oneself, for the family, seems likely to persist, suggesting new ways that stores can attract, appeal to, and fulfill the needs of its shoppers after the coronavirus experiment reaches some sort of conclusion.

Discussion Questions:

1. What are some of the ways that consumers' food buying behavior has changed?
2. How has the store layout been affected?
3. What are some other ways that grocery store might meet consumers' new preferences and needs?