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

- Best Place for a Start-Up? Think Inside the Box (Chapter 7)
- Best Buy’s Richfield Store Seeks to Connect on New Scale (Chapter 18)
- Why Teens Snub Online Retail (Chapter 4)
- Selling More Than a Flashy Deal (Chapter 2)
- The Dying Discount Department Store (Chapter 2)
- With Vivian Chen, H&M is Adapting Western Fast-Fashion for China (Chapter 5)
- Walmart Pushes Web Sales Tax as Washington Clout Grows (Chapters 6 and 14)
- Malls’ New Pitch: Come for the Experience (Chapter 7)
- Virtual fitting rooms changing the clothes shopping experience (Chapter 13)
- Retail’s New Odd Couple (Chapters 5 and 13)
- The Eyes Have It: Marketers Now Track Shoppers’ Retinas (Chapter 17)
- Luring Online Shoppers Offline (Chapter 3)

If you are interested in the text book please visit www.mhhe.com/levy8e. Simple registration is required to gain access to the newsletters and other instructor materials. If you would like to see this newsletter and the previous editions, go to:
http://www.warrington.ufl.edu/mkt/retailcenter/research/publications.asp
Teaching Tips

Short Videos Available on the Web

Chapter 3 - Shopping the Future
https://secure.rm.motorolasolutions.com/forms/FutureRetail/?cid=319&mls=ad
Motorola Solutions

Chapter 2 - Supermarket Inc CNBC
http://www.cnbc.com/id/40887785/

Chapter 3 - Retail in the Future – Microsoft
http://www.youtube.com/watch?v=E_flAE78tt0

Chapter 3 - Tesco Virtual Stores in korea
http://www.youtube.com/watch?v=gxk4Uma8CV0
http://www.youtube.com/watch?v=-4NWeAonvoQ&feature=related

Chapter 3 - Food Marketing Institute 2012 Trends Report - Phil Lempert
http://www.youtube.com/watch?v=g8sFBZmAi-0&feature=youtu.be&a

These videos are useful for talking about the effects of mobile devices on shopping behaviors

Chapter 4 - Mobile Customer Devices
http://www.youtube.com/watch?v=8jjbiOV6pOM&feature=relmfu

Chapter 4 - The research Mobile Customer
http://www.youtube.com/watch?v=0JCO_n4fEW0&feature=relmfu

Chapter 4 - Dealer Seeker
http://www.youtube.com/watch?v=2VCauOcZnRA&feature=relmfu

Chapter 4 - Social Engager
http://www.youtube.com/watch?v=gBiNb8tLCt8&feature=relmfu

Chapter 4 - Apps for Shopping

Chapter 10 - RFID Supply Chain Efficiency
http://www.youtube.com/watch?v=UMux6-4tmGw&feature=relmfu

Chapter 10 - RFID Retail
http://www.youtube.com/watch?v=4eOr0PfwFgs fashion
http://www.youtube.com/watch?v=S3cmFeozCFc

Chapter 18 - Customer Service at Ritz Carlton and Apple
Additional Material for Teaching Retail Classes

A website, part of the University of Florida Miller Center for Retailing Education and Research, provides materials for retail class instructors including:

- Nine syllabi from instructors
- Classroom exercises
- Team projects
- PowerPoint slides
- Copies of this newsletter and previous issues
- List of retail links, cases and videos

The website is available at http://warrington.ufl.edu/mkt/retailcenter/teachretail/

Please consider sharing your materials with other instructors through this website by sending your course syllabi, classroom exercises, projects, teaching types, etc. to bart.weitz@warrington.ufl.edu or mlevy@babson.edu
Best Place for a Start-Up? Think Inside the Box

Minda Zetlin, CNBC.com, July 3, 2012

Use with Chapter 7, “Retail Locations”

Big box retailers are having trouble generating the sales-per-square-foot necessary to sustain their businesses. Many start-up companies are capitalizing on this situation and using it as an opportunity to set up shop-in-shops in big box locations. For example, N-Hance Wood Renewal has set up numerous kiosks inside Home Depot stores. N-Hance’s 1,400 Home Depot kiosks account for almost 40% of the company’s annual sales.

The benefits of setting up in a big-box retailer are that:

- Customers come to you. Big box retailers already have customer traffic.
- Start-ups get credibility by capitalizing on the brand recognition of the big-box retailer.
- If big-box retailers are interested in partnering with a start-up, investors immediately take notice and are willing to invest in the start-up as well.
- Because of the foot traffic and distribution of big-box stores, successful partnerships can be very lucrative for start-up companies.

As with all business opportunities, there are also risks and challenges. Some of these challenges include: high commission fees, fees for marketing, and dealing with the retail chain if there are complaints about poor service.

Discussion Question:

What are the advantages of having a store-within-a-store from the leasee and the leasor’s perspectives?

From the leasee’s perspective, developing a store-within-a-store allows the leasee to capitalize on the traffic, the brand name, and the marketing efforts of the larger, big-box store. Leasors are adopting the store-within-a-store concept to generate revenue from what might otherwise be wasted or underperforming sales floor space.

Back
According to executives at Best Buy, the company has spent the past 50 years procuring some of the best locations and real estate in the United States. Best Buy, a big-box electronics retailer that was highly impacted by the recession, is now focusing on redeveloping its real estate to garner a higher return on its investment. This includes closing about 50 of its big-box locations and opening around 100 smaller-format Best Buy Mobile stores and 50 Connected stores. These smaller locations range from 30,000 to 45,000 square feet, versus Best Buy's traditional 58,000 square feet.

The Connected stores are where Best Buy really hopes to attract new customers and build stronger customer relationships. These stores are aimed at engaging customers and solving customer problems. Connected stores feature: Geek Squad technology support centers that bear resemblance to a Genius Bar, more knowledgeable employees, and rooms where technology and theater junkies can design their own personal space. The Magnolia Home Design Center in every Connected store shows customers how to best configure technology in their homes. Connected stores also feature Pacific Kitchen and Home sections that allow consumers to create their perfect kitchen space to meet their lifestyle and budget needs.

Industry analysts applaud Best Buy for trying to engage customers and build more loyalty. However, some wonder if Best Buy can recuperate from its dramatic sales decline and compete with the likes of Amazon.com and Walmart. Furthermore, Best Buy has been a victim of showrooming and industry analysts wonder if the new Connected format actually enhances showrooming.

Discussion Questions:

How is the store footprint changing at Best Buy?

Best Buy is closing 50 of its traditional retail locations and opening 150 smaller stores, including Best Buy Mobile and Best Buy Connected Stores. The Connected Stores offer more features to engage customers, including technology service centers and design centers for kitchens and home theaters.

Why did Best Buy make this change?

Best Buy made this change to engage customers more and build customer loyalty. Best Buy was not getting the return on investment it needed with its larger format stores.

All things considered, is this a good change for Best Buy?

Many big box retailers are choosing smaller format stores in order to increase sales per square foot. The Connected Stores will also help Best Buy interact with more customers and build stronger relationships. However, if customers are not excited about Best Buy, or continue to engage in showrooming behaviors, then the new Connected stores might not help Best Buy.
Why Teens Snub Online Retail

Quentin Fottre II, Wall Street Journal, July 26, 2012

Use with Chapter 4, “Customer Buying Behavior”

Every year, the country’s 30 million teenagers spend about $200 billion. However, just a small percentage of these purchases are made online. Even though this cohort grew up online, they are too young for credit or debit cards, with just 6% of teenagers using a credit card. Online retailers are searching for ways to reach this untapped market.

eBay is exploring options for allowing customers age 13 to 18 to set up their own accounts, with restrictions on purchasing inappropriate items. PayPal, Chase Bank, and Wells Fargo offer teens checking accounts that are cosigned by their parents. Even with retailers and banks offering these types of options for teenagers, many teenagers agree that they still prefer the mall. Only 7% of girls and 15% of boys surveyed indicated that they preferred making their purchases online. Teenagers actually engage in reverse showrooming, where they search fashion items online and then purchase in stores. In addition, teenagers like going to the mall as part of their social activities. Finally, going to the mall affords teenagers more freedom to buy what they want. Many teenagers feel that when they buy online, they have to use their parents’ credit card, and that restricts their purchases.

Discussion Questions:

Why is it difficult for teens to shop online?

Teens have a hard time shopping online because they don’t have their own credit or debit cards. In addition, many teens prefer to shop at the mall because of the freedom and social opportunities it provides them.

What are retailers doing to ease the situation?

Retailers, like eBay, are allowing teenagers to set up their own accounts, separate from their parents. Banks are also allowing teenagers to open their own checking accounts as long as they are cosigned by a parent.
Selling More Than a Flashy Deal


Use with Chapter 2, “Types of Retailers”

Flash sites, like Gilt.com, offer customers limited-time deals on items ranging from clothing products to luxury wine tastings. Many customers only frequent flash sites and believe that brick-and-mortar stores are a thing of the past. Over the last five years, the flash-sales industry has had revenue growth of almost 50% a year. There are about 90 flash sites now, including Zulily (children’s goods), One Kings Lane (home furnishings), and JackThreads (men’s wear). Researchers expect the number of flash-sale sites to increase to 150 by 2017.

Some retail experts worry about the sustainability of the flash-site model, and suggest that the novelty of these sites may have worn off or will wear off shortly. One of the challenges for flash-sites is to continuously find inventory to offer at a discounted price. Some retail experts suggest that flash-sites will have to appeal to customers with other products. Several flash-sites are doing this by offering services and merchandise supplied exclusively for them. Flash-sites are also offering discounts to customers who use social sites like Pinterest. Flash-sale sites, in order to stay current, are now repositioning themselves to include “special things” that may not be discounted at all. For example, Gilt Groupe introduced a high-end, full-price online men’s store (Park & Bond) and a travel site (Jetsetter) to its offerings. Other flash-sites are also broadening their offerings to include food, housewares, beauty services and travel and fitness offerings.

In contrast to flash-sale sites, companies like Fab.com, are generating buzz as member-only sites that appeal to a lifestyle by offering limited time merchandise in an appealing virtual storefront. However, these sites do not offer deep discounts. Fab.com caters to what shoppers crave by offering a unique collection that attracts customers.

Discussion Questions:

What is really going on with flash sale sites?

Flash-sites obtain overflow inventory from brand name manufacturers and offer customers limited-time sales of merchandise at dramatically discounted prices. Often these sales last only 24-48 hours. These sites create excitement among customers and also create an air of exclusivity. Many flash-sites have extended their offerings from just fashion to also include food, housewares, and travel deals. But this retail format may not be sustainable. There is a lot of competition for scarce merchandise.

Would you invest money in one or more of these sites? If so, which ones and why. If not, why not?

Ask students their thoughts on flash-sites. Does it seem like a good investment and which ones are likely to have staying power? Considering that flash-site customers are migrating to sites like Fab.com, is investing in flash-sites now a good idea?
Today’s department stores are struggling to keep up with increased growth in e-commerce and big box retailers. In June of 2012, department store sales were down 3.2% versus June 2011. Overall, department store sales have decreased to $15.1 billion per month versus $20 billion per month in 2001. Some luxury department stores are weathering the economic recession and even enjoying significant growth. Nordstrom had a 12.7% increase in sales in 2011 and Neiman Marcus grew by 8.4%. It is the middle-market department stores that are suffering the most. Stores like Macy’s and Kohl’s can’t seem to find their place in today’s competitive marketplace.

Stores like Nordstrom are able to thrive because of the loyalty of the customer base and the outstanding customer service. In addition, customers of luxury retailers have money to spend. Mid-market retailers are unable to retain loyal customers because they are unable to differentiate themselves; furthermore, many customers are lured to cheaper stores. Although some stores, like TJ Maxx and Marshall’s grew by modest amounts, these mid-market stores are still grasping to retain retail market share.

Walmart and Target are now offering increased discounts as well as a wider variety of goods, including groceries. Retailers like TJ Maxx and Kohl’s can’t offer groceries. Warehouse stores like Sam’s and BJ’s, are also increasing their product assortments to chisel away at department store market share. Moreover, e-commerce behemoths Amazon.com are also impacting low-end department stores as many customers are now shopping online. With Amazon.com threatening to offer same-day shipping, consumers might choose to forego shopping at department stores altogether.

Low- and middle-end department stores have to find a way to differentiate themselves and develop loyalty; customers are less loyal than they ever have been before. This includes offering new assortments and unique promotions. In today’s aggressive retail landscape, only the strong and agile will survive.

**Discussion Question:**

What types of stores are doing well, and which are not? Explain why.

*Luxury department stores like Nordstrom, Neiman Marcus, and Saks Fifth Avenue are enjoying year-over-year sales growth. These stores are able to create customer loyalty through outstanding customer service and unique product offerings. In addition, customers who frequent these stores tend to have more money to spend. Lower and middle-level department stores like Kohl’s and TJ Maxx and Macy’s are suffering because their customers are less loyal and will comparison shop at discount stores like Walmart and Target as well as online.*
With Vivian Chen, H&M is Adapting Western Fast-Fashion for China

Normandy Madden, Advertising Age, July 23, 2012

Use with Chapter 5, “Retail Market Strategy”

Fast fashion is growing in popularity worldwide, especially in China. Millions of young adults in China are heading into the workforce and are looking for ways to be fashion-forward on a budget.

Vivian Chen, the China marketing manager at H&M, oversees marketing, advertising, and social media in China, where H&M operates 85 stores in 33 cities. Her main focus for H&M is to choose the right size and colors for China’s market, as well as honor the unique cultural norms. For example, H&M can’t sell a summer dress with white flowers in China, because white flowers are associated with death. Chen understands that fast fashion is dominating the marketplace and is changing consumption behavior. Chen’s also believes that H&M’s must focus on digital media to raise the retailer’s electronic profile.

Sales in 2011 for H&M in China were almost $540 million, a 42% increase from the previous year. However, even fashion is still unaffordable for some of H&M’s Chinese markets. H&M is working to find new materials and sources to make its products more affordable for the Chinese customer. H&M is also struggling with distribution challenges in China.

Discussion Question:

How is H&M adapting to the Chinese market?

H&M is increasing its marketing efforts in China, including social media efforts to reach a larger audience. H&M is also altering its product assortment and size range to appeal to the Chinese customer.
Walmart Pushes Web Sales Tax as Washington Clout Grows

David Welch, Bloomberg Business Week, July 20, 2012

Use with Chapter 6, “Financial Strategy” and Chapter 14, “Retail Pricing”

Walmart is using its significant size and clout to lobby for a bill that will let states collect sales tax from out-of-state merchants that sell to their residents. Currently, many online retailers don’t collect sales tax; if this bill passes, these retailers will lose the price advantage that helps them compete with brick-and-mortar stores.

Walmart is one of the primary supporters of this bill and has been boosting its political contributions in support of its passing. In 2011, Amazon.com grew 41% to sales of $48.1 billion, while Walmart sales increased only by 1.5%. A recent study shows that over half of Walmart’s customers also shop at Amazon.com. Although Walmart has acquired social media companies and technology firms, it still generates less than 2% of its revenue online. If the tax bill is passed, this might level the playing field for Walmart.

Discussion Questions:

Why is Walmart lobbying Congress?

Walmart is lobbying Congress in support of a bill that will allow states to collect sales tax from online merchants. Currently, many online merchants do not collect sales tax.

If the bill passes, who will it benefit, and who will it harm?

This bill will harm many online retailers as collecting sales tax will reduce the price advantage many online retailers offer. Customers that prefer to shop online will also suffer because their merchandise will cost more. This bill will benefit brick-and-mortar stores because customers might do more of their shopping at physical locations if there is no price benefit of shopping online. In addition, state governments will benefit from this bill because of the revenue generated from the sales tax.

Back
Malls’ New Pitch: Come for the Experience

*Stephanie Clifford, New York Times, July 17, 2012*

*Use with Chapter 7, “Retail Locations”*

Most mall owners are looking for ways to compete with the Internet. Today’s malls are no longer filled with just clothing-only retailers; rather, today’s malls offer customers experiences that they cannot get on the Internet. Scottsdale Quarter Mall, for example, includes tenants like Make Meaning, which is a membership store where people can make crafts together. Scottsdale Quarter also has laser salons and Drybar, a salon that only offers blowouts. The movie theater at Scottsdale Quarter serves customers snacks and drinks delivered to their reserved seats. There is also a unique jeans store, Industrie Denim that allows customers to check out their rear view using Industrie’s bootycam.

Management of Scottsdale Quarter, Glimcher Realty, is trying to drive more traffic to the mall, hoping it will be a place where customers come more than once a week. While stores like Make Meaning and Drybar have a lower price point, they will hopefully generate revenue through increased traffic. Higher traffic often leads to higher sales per square foot. Scottsdale Quarter mall makes $1,000 per square foot; significantly higher than most post-recession malls.

Glimcher Realty believes that today’s malls have to engage in retail Darwinism to continue to survive. Today’s malls are multidimensional and are more about the experience than just the clothes.

**Discussion Questions:**

What is Scottsdale Quarter doing to increase customer traffic?

*Scottsdale Quarter has a unique mix of merchants that extends beyond clothing-only retailers. The mall offers customers a variety of salons, member only craft-making facilities, a variety of restaurants, and even a movie theater with seat service. Scottsdale Quarter is hoping to increase revenue by increasing the number of times customers visit the mall.*

*Back*
Virtual Fitting Rooms Changing the Clothes Shopping Experience

Andrea Chang, Los Angeles Times, July 13, 2012

Use with Chapter 13, “Buying Merchandise”

For many customers technology is taking the drama out of the dressing room experience. Shopping centers around the country are offering customers the free use of size-matching machines. These machines resemble airport body scanners. Customers enter and walk out with a printout that recommends sizes and styles to best fit the customer’s figure. For many customers, this service is exciting and enhances the overall shopping experience.

Virtual sizing technology is also beneficial to the industry. Clothing makers can use the data collected from real shoppers to sew better-fitting garments as well as better forecast what sizes to stock. Retailers will also save on labor needed to fold and rehang garments, as customers are savvier with what they are trying on.

Soon, this technology will be available at home as well. Soon, online shoppers can use Microsoft Kinect to scan themselves in their living room before purchasing an item online. This will hopefully reduce Internet shopping returns. Approximately 20% of apparel purchased online is returned because of poor fit.

The virtual fitting room market is ripe with technological advances. Styku, a Los-Angeles based start-up, has developed a program that measures customers’ dimensions and creates avatars that customers can use to digitally “try-on” clothes. London-based Bodymetrics, has developed a 3-D dressing room that shoppers can use to virtually model clothes on a computer monitor or television screen. Tech companies are hoping to expand this sizing technology to other products where fit is critical, like sunglasses, skiing gear, scuba suits, etc. Retailers and mall managers are encouraging shoppers to use these technologies because it “streamlines the shopping process and allows people to shop more efficiently and faster.”

Some experts worry about the privacy of customers who use this technology as many virtual fitting rooms sell information to retailers and manufacturers. Other drawbacks of the technology include keeping up with changing retailer inventories. Tech firms have a hard time updating their clothing recommendations to keep up with changing retailer inventory.

Discussion Questions:

How can virtual fitting rooms help customers and retailers?

Virtual fitting rooms help customers by providing them information on what clothes and sizes would work best for their body type. Retailers benefit because they gather real-time customer information about what customers are choosing and what fits and styles work best. In addition, customers are spending less time trying on and searching for items because they are already armed with a list. This reduces retailer labor costs.
How do virtual fitting rooms work?
Virtual fitting rooms look like airport body scanners. Customers step inside and the fitting room takes multiple measurements of the customer. Then, based on retailer inventory, the fitting room makes a recommendation to the customer as to which products would work best for the customer’s body type based on the measurements its took.

Back
Retail’s New Odd Couple


Use with Chapter 5, “Retail Market Strategy,” and Chapter 13, “Buying Merchandise”

In July, luxury retailer Neiman Marcus announced that it will put together a collection from 24 American designers this holiday season. This collection is part of a collaboration with an unlikely partner—Target. During the 2012 holiday season, both Target and Neiman Marcus will offer the same items from the collection, which includes pieces from Diane Von Furstenburg, Derek Lam, Rodarte and Tory Burch. The prices range from $7.99 to $499.99 with an average ticket price of $60.00; all items will feature both the Target and Neiman Marcus logos. Target will be primarily responsible for the production of the items. The new collection will launch on December 1st and run for three weeks in Target and Neiman Marcus stores and on their websites.

Since the recession, retailers have noticed a high-low trend where shoppers pinch pennies on basics but splurge on goods that they really want. This trend has benefitted luxury stores like Neiman’s as well as lower end dollar stores. Today’s customers are all about mix-and-match shopping.

The partnership benefits both retailers. Neiman Marcus is trying to shuck the “Needless Markup” nickname and appeal to a broader range of customers, including younger and less-affluent customers. The risk of this partnership is that the relationship with Target’s cheap-chic reputation will alienate Neiman’s customers who prefer the aura of exclusivity. Neiman’s now realizes that it has to broaden its appeal and appear less snobbish. Target benefits from the partnership because of the exclusive lines it can offer. In addition, Target gets to “bask in the glow of Neiman’s”, something that Walmart and other discount stores cannot do. Target has also been vulnerable to showroming. This line of exclusive merchandise will discourage that practice.

Discussion Questions:

Describe the Neiman Marcus/Target partnership.

Neiman Marcus and Target are partnering to sell a line of exclusive products during the holiday season. Although Target will be primarily responsible for the production of the items, all pieces in the line will have both the Target and Neiman Marcus logos. The merchandise will be from high-end designers like Diane von Furstenburg and Tori Burch. Items will be sold in both Target and Neiman Marcus stores as well as on their websites.

What are the benefits to these retailers of this partnership?

Neiman’s is trying to use this line of merchandise to reach a younger, less-affluent audience. Neiman’s hopes that this partnership will help it shake the “Needless Markups” moniker. Target will benefit because of the unique and exclusive products it will be able to offer customers.
What consumer trend do you believe spurred these retailers to become partners?

Today’s customers engage in high-low shopping where they will pinch pennies for basics, but save to splurge on luxury items. Customers also mix and match retailers by shopping at lower end dollar stores as well as luxury stores. Target and Neiman’s, for example, share many of the same customer base.

Do you think this initiative will work?

Ask students their thoughts on this initiative. Which retailer is absorbing the most risk by engaging in this partnership?

Back
The Eyes Have It: Marketers Now Track Shoppers’ Retinas

Emily Glazer, Wall Street Journal, July 11, 2012

Use with Chapter 17, “Store Layout, Design, and Visual Merchandising”

Trusting consumers to tell retailers what they want is not always the best research strategy. Academic research has shown that consumers who participate in focus groups usually try to please their testers or overestimate their interest in a product. Many consumers answer surveys using their “idealized” version of themselves. There is a big difference between what customers want and what they say they want. So how are retailers supposed to learn what shoppers really think and want?

Companies like Procter & Gamble (P&G) and Kimberly-Clark are using three-dimension computer simulations of products and store-layouts with eye-tracking technology to test shoppers’ attention. This technology helps these companies roll out products faster and create designs and layouts that boost sales. Approximately 80% of P&G’s new products are designed using some sort of modeling or simulation data. By measuring shoppers’ response to different design elements, Kimberly-Clark was able to decipher what draws customers’ attention, as well as the viewing sequence customers follow. This type of technology is a more accurate measure of customer behavior than having the customer participate in a survey or focus group.

Similarly, Unilever used a “heat map” to determine how long and often customers looked at packages on a computer screen. When Unilever redesigned the package for its Axe body wash, it used a virtual 3D environment to track customers’ visual motion. This research led Unilever to change the bottle’s shape from curvy to straight and make the product name more visible on the bottle.

Discussion Questions:

What is eye-tracking technology, and how does it work?

Eye-tracking technology tests shoppers’ attention by following where the customer looks and how long the customers look at items on a shelf while they are shopping.

How can retailers use this technology?

Retailers and manufacturers can use this technology in new product and package design. This technology can also be used to determine the best shelf displays and allocation of shelf space.

Do you see the use of eye-tracking technology to be an invasion of personal privacy?

If consumers are willingly participating in a new product design study, then eye-tracking technology is probably not an invasion of privacy. However, some companies are using eye-tracking technology in stores without the customer’s knowledge. Although the results of this may lead to a more pleasant shopping experience for the customer, does the customer have the right to know that there movements are being tracked? Ask students to discuss the implications.

Back
Luring Online Shoppers Offline


Use with Chapter 3, “Multichannel Retailing”

Traditional retailers are trying to combat the effects of showroooming. Showrooming occurs when customers examine items in a particular store, and then use the Internet to shop around for the best price. Retailers like Walmart, Macy’s, Best Buy, Sears, and the Container store are stepping up their efforts to transform their stores into extensions of their own online operations. These efforts include: Web return centers, pickup locations, free shipping outlets, payment booths, and drive-through customer service centers.

Walmart, for example, allows shoppers to order merchandise online and pay for it with cash at a store when they pick it up. This initiative was to try to reach the customer who wants to pay with cash or doesn’t want to provide their financial information online.

Other retailers, like Sears, compete with online retailers by offering same-day delivery and returns. Sears offers store pick-up for items purchased on the Web, as well as a drive-through service that allows customers to exchange purchases without leaving their cars.

The Container Store also offers customers the option of picking up products in-store that were purchased online. Some Container Stores also have the drive-thru option. The Container store found that online orders for in-store pickup are larger than typical in-store purchases. Customers who pick up orders at the Container Store visit about 50% more often than customers who shop only in stores.

Nordstrom allows customers to search an individual store’s inventory online. In addition, Nordstrom stores integrate their online and in-store inventory. If an e-commerce customer wants an item online that is out of stock, a retail store will pull from its own inventory and ship the wanted item to the customer. Macy’s has also adopted the integrated inventory strategy and has Web return centers, pickup locations, free shipping outlets, payment booths, and drive-through customer service centers. 200 of its stores can send items to online customers.

Discussion Questions

What can traditional stores do to compete with online-only retailers like Amazon?

Stores like Walmart, Macy’s, Best Buy, Sears, The Container Store, and Nordstrom are offering services such as: Web return centers, pickup locations, free shipping outlets, payment booths, and drive-through customer service centers. These retailers promote these services in an attempt to compete with online retailers.

Back