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

- **Rebuilding History’s Biggest Dot-Com Bust** (Chapters 2 and 10)
- **Applying Data to Decisions** (Chapter 8)
- **Ratings Now Cut Both Ways, So Don’t Sass Your Uber Driver** (Chapter 18)
- **Kohl’s Accelerating Omnichannel Agenda** (Chapter 3)
- **Sellers Need Amazon, But at What Cost?** (Chapters 5 and 13)
- **The Economics (and Nostalgia) of Dead Malls** (Chapter 7)
- **Staples and Office Depot Say a Merger Will Keep Them Competitive** (Chapter 5)
- **New York Attorney General Targets Supplements at Major Retailers** (Chapter 13)
- **Internet Drags Down Some Retailers’ Holiday Profit** (Chapters 3 and 6)
- **Online Pricing Is Secretly Discriminatory** (Chapter 14)

**Retail Tidbits**

- Real-Life Stores Regain Cool as Web Lacks Hand’s-On Deals
- TechBytes: Five Hot Tech Trends from NRF 2015
- JCPenney to Bring Back Catalog
- RadioShack Files for Chapter 11 Bankruptcy After Deal to Sell Some Stores
- Target to Exit Canada After Failed Expansion
- Walmart Raising Wage to at Least $9

If you are interested in the text book please visit [www.mhhe.com/levy9e](http://www.mhhe.com/levy9e). 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://warrington.ufl.edu/centers/retailcenter/research/publications.asp](http://warrington.ufl.edu/centers/retailcenter/research/publications.asp)
Teaching Tips

Additional Material for Teaching Retail Classes

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

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

The website is available at http://warrington.ufl.edu/centers/retailcenter/teach/

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
Nobody likes grocery shopping. That seems to be a universal truth that retailers have learned, and it may underlie the continued efforts to offer delivery services to consumers, despite the rash of failed experiments in the past. This industry appears buffeted by competing forces that both encourage its expansion and also limit its profitability.

On one side, customers are demanding more options to order groceries online and have them delivered to their doors. Time-poor shoppers and working parents have little time to spend stocking up on the weekly necessities. Thus they appear willing to pay a little more to have milk delivered to their doorsteps (e.g., for a gallon of organic milk, Safeway charges $5.99, and the delivery service Instacart charges $7.39), such that they never risk ruining breakfast. As a result, online sales of groceries have grown by 14.1 percent annually for the past five years.

As deliveries of other products expand, and retail sources such as Amazon promise rapid delivery, customers also are becoming more accustomed to the idea that they can order virtually anything online. Still, approximately 30 percent of the online orders placed with grocery retailers involve non-food items, like paper products or cleaning items. In contrast, sales in stores generally feature only around 14 percent non-food items. In this sense, it appears that consumers rely on online grocers for non-perishable items, rather than fresh fruit or meats.

The latest iterations of grocery delivery services assert they are better positioned to succeed than their failed predecessors, because they have found ways to transfer risk to other members of their supply chains. For example, because Instacart partners with grocery retailers, rather than running grocery operations on its own, it does not need to worry about inventory issues. The delivery also is performed by independent contractors, who work only when there is demand for their services. Thus, it does not need to pay wages that would eat into the slim margins available in the grocery industry.

But on the other side of the equation, such slim margins continue to be a problem. Instacart makes its money by charging a delivery fee ($3.99–$5.99) and marking up the product prices, then keeping the difference. But because it has to pay the independent contractor who delivers the products a minimum of $10 (and more for bulky orders or rush services), Instacart only earns a profit if the order is for more than a certain amount. One estimate suggested that to break even, all of Instacart’s orders would need to exceed $68. Thus it might not succeed if customers seek small, daily deliveries of products, rather than large, weekly orders.

Furthermore, even as customers call for grocery delivery services, and the industry has grown from 1.9 percent to 2.9 percent of total grocery sales, online grocery remains much smaller than other online retailing. For retail overall, online sales average 7 percent of total sales. Part of the reason for this difference may be the limited availability of grocery delivery services, which thus far remain accessible mainly in large cities. People in suburban or rural areas might be interested in getting their groceries delivered, but no retailers offer it yet. This factor also might reflect a barrier to the industry’s growth: Delivering perishable groceries to many customers is a lot easier and more feasible in dense, urban settings than across vast, rural distances.

Discussion Questions:

1. How is online grocery retailing doing compared with online retailing in general? Although online grocery retailing is growing substantially, it still accounts for a far smaller percentage of total sales in its market than the average achieved by online retailers in general.

2. What are some reasons for the disparity between online grocery retailing and online retailing in general? Perhaps the biggest difference is the nature of the products. Grocery retailing primarily involves perishable relatively low margin products that need to be delivered within a few hours. Other retailers rarely need to consider such issues. In addition, customers are
not willing to allow much room for error in their grocery orders: If they receive the wrong item, their dinner might be ruined, so they are unlikely to agree to return it for an exchange.

3. How does the typical market basket differ between online and traditional grocery stores?
   Online grocery orders tend to contain nearly twice the percentage of non-food items than market baskets for in-store grocery shopping.

4. Why is Instacart likely to succeed where previous delivery services failed?
   Instacart has removed a lot of the risk associated with grocery delivery. For example, the risk of rotten produce stays with the grocery with which the service has partnered. In addition, it has eliminated some of the costs of delivery by moving to independent contractors rather than an employed staff to perform these tasks.
FreshDirect started out in Manhattan in 2002. When it decided to expand its operations, it has a lot of options. What made it select Philadelphia as its next target market?

The answer is more complicated and detailed than you might expect. Philadelphia is another urban market, relatively close to its current New York operations. But FreshDirect also focuses on the ways the two markets are different. In defining these differences, it relies on in-depth, constant, and detailed data analysis, achieved through close cooperation with the analytics firm SAS.

By using data analytics so extensively, FreshDirect aims to predict consumers’ shopping patterns in various locations. Then it can develop solutions that meet their detailed needs. For example, many shoppers in New York and Philadelphia spend extended time in the summer at beach houses at the Jersey shore or in the Hamptons. Accordingly, FreshDirect anticipates the need for an expanded delivery area during those months, such that customers never have to lack access to the service.

The element that sets its use of data analytics apart from the uses displayed by other retailers, according to FreshDirect, is its dedication to looking forward rather than back. It is easy, says Aaron Cano, the vice president of marketing planning, to count how many berries a shopper bought last month using analytics. But FreshDirect is dedicated to doing more than that, including determining which kinds of berries the consumer bought during which week, so that it can work more closely with farmers and vendors to ensure the proper proportion of berries at each moment.

Discussion Question:

1. How did FreshDirect decide to start its operations in Philadelphia?

   As it always does, FreshDirect used data analytics to determine that customers in Philadelphia would be interested in solutions that were similar to those demanded by its New York clients. Thus, it felt confident that it could expand there successfully.
Ratings Now Cut Both Ways, So Don’t Sass Your Uber Driver

Use with Chapter 18, “Customer Service”

In a service economy, the idea that the customer is always right seemingly should be even more prevalent. Instead, the reviews available through on-demand services such as Uber and Airbnb seem to be moving in the opposite direction, such that nasty—or even maybe just tired—customers can’t purchase what they want anymore.

On the Uber site, drivers have a means to rate riders, just as riders can rate drivers. When a driver’s rating falls below a certain level, the service contacts that driver, to ensure a sufficient level of service. But when a rider earns a low rating, he or she may just find that no drivers respond to requests for a pick up, leaving the passenger stranded. Similar trends appear to be emerging on Airbnb, such that guests staying at a location earn ratings from renters. If their reviews are poor, they are unlikely to be invited to stay in other residences in the future.

Such reviews have obvious benefits. Airbnb participants don’t want to open their homes to a guest who breaks items or leaves the room a terrible mess. However, they also might have some unintended consequences, especially if they get aggregated with other sorts of data.

First, because there are few rules for how to establish review of customers, drivers and renters can issue negative reviews for virtually any reason. One Uber driver noted that he gave bad reviews to riders who entered the vehicle with “negative energy,” for example. Nor are there any protections in place to avoid negative reviews based on race, gender, or physical disability. Thus consumers might be unfairly discriminated against in the reviews, creating a powerful ethical concern.

Second, the two-sided review system might lead to rating inflation. That is, guests and riders want to earn positive reviews from the providers, so that they can continue using the service in the future. To encourage such positive reviews, they might provide positive ratings of the providers, to avoid any negative retaliation. Accordingly, ratings for the same hotel on the Airbnb site were significantly more positive than those on TripAdvisor, which does not feature any reviews of customers.

Third, customers do not have any control over, or in some cases knowledge of, how their reviews get used. If some entity can combine customer ratings on Airbnb with Uber ratings as well as performance through OpenTable reservations, it would have substantial insights into how and when that customer makes purchases. Whether the customer agrees to such data aggregation or the use of these ratings remains an unanswered question.

Discussion Questions:

1. **How are retailers and service providers evaluating their customers?**
   These providers are rating customers, similar to the way that customers long have rated the providers. However, the exact criteria and measures are unclear and vary across different retailers and service providers.

2. **How do you feel about having the tables turned, with them evaluating you rather than vice versa?**
   Despite the clear need for such ratings, especially for services such as Airbnb, for which providers allow customers into their homes, this notion is worrisome. What if a service provider just doesn’t like the look of a customer? What would keep someone from posting negative reviews of a customer who is “different” in terms of race or physical ability? Such discrimination unfortunately remains common in human interactions, and it could threaten basic notions of fairness.

BACK

Photo Credit: Steve Mason/Getty Images Business Unit Rights = MHE Canada ,MHE USA Asset Source= Getty Images
Kohl’s Accelerating Omnichannel Agenda

Mike Troy, Retailing Today, January 26, 2015

Chapter 3, “Multichannel Retailing”

The drive to transform into an omnichannel retailer is not a one-and-done operation. Instead, as the experience of Kohl’s shows, it requires multiple steps, each designed to enhance the retail experience for consumers across a variety of channels.

To start, Kohl’s chose to expand the ways its customers could obtain their purchases. It first added a ship-from-store option, then tested an in-store pick up service that it has since expanded throughout the chain. These cross-channel capabilities have become almost a necessity, because many of its competitors offer similar services.

In addition, Kohl’s has vastly improved its registry services for shoppers planning a wedding or a baby shower. Whereas previously, the retailer admitted that its registry system was slow, the current system links to an app, allows shoppers to scan items either online or in stores, and provides updates across channels in real time.

Its plans do not stop there. Kohl’s currently is experimenting with beacon technology, to enhance its mobile communications with shoppers in stores, as well as with personalized landing pages on its website. Whereas currently, all visitors to kohls.com see the same homepage, the retailer hopes to be able to personalize these views soon.

Finally, Kohl’s future plans include expanding its product offerings by leveraging its omnichannel status. For example, in response to consumer requests, the retailer hopes to be able to make items that are not available in stores but that appeal to its shoppers accessible through mobile channels or websites.

Discussion Question:

1. How is Kohl’s becoming an omnichannel retailer?
   Kohl’s is progressively increasing its cross-channel operations. For example, it already gives customers the option to purchase online and then pick up their purchases in stores. It also plans to link in-store shoppers with mobile capabilities using beacon technologies. Ultimately, it aims for greater personalization across all its channels.

BACK
Sellers Need Amazon, But at What Cost?

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

For sellers that make their products available through Amazon, finding the right level of independence is a constant struggle. Companies need Amazon to reach their customers, but they also must compete with Amazon for those very same consumers. It’s a confusing situation, and the proper balance is a little different for every retailer that partners with the online giant.

That’s about 2 million sellers currently. They provide about 40 percent of all items sold through Amazon, paying the online retailer fees equivalent to anywhere from 6 percent to 40 percent of the purchase price to do so. The costs are high, but the costs of not selling through Amazon ultimately might be even higher. As one third-party seller explained, “It’s costly, but the upside is getting your product in front of a big audience. That outweighs the added costs when you’re trying to grow.”

Because of Amazon’s dominance and effective search engine marketing efforts, the search engine results for products often list it first or second. In many cases, Amazon appears even before the actual producer of the product. Furthermore, Amazon establishes strict rules that prevent the sellers from trying to lure customers to leave its site and buy directly from the manufacturer. Thus while small businesses might need Amazon to expand their market, relying on Amazon also imposes general limits on their potential growth.

A presence on Amazon also might limit the firm’s ability to build its own brand. Amazon customers may tend to pay less attention to the brand name of the product they are buying, because they consider it simply a part of Amazon’s offering. Still, for some companies that complete up to 80 percent of their sales through the retail giant, it is their best option.

Other firms argue that a presence on Amazon is just another marketing tool. It provides some increased brand exposure, and it ensures that the brand’s product comes up in searches. However, considering how many companies seek to make a name for themselves through Amazon, the competition is severe. Inexpensive or even free shipping within just a couple of days is the norm, a service that smaller firms often have trouble providing.

Despite the challenge of remaining true to the brand and the potential for getting lost in the crowd, sellers continue flocking to the site. Ultimately, as one analyst explained, “You can’t really be a high-volume seller online without being on Amazon.”

Discussion Questions:

1. **From a retailer’s perspective, what are the advantages and disadvantages of selling through Amazon?**
   
   Amazon offers greater reach than any small business is likely to achieve on its own. Thus, a retailer can gain access to a far wider market of potential customers, located throughout the world. However, Amazon considers these buyers its customers and seeks to prevent the third-party retailers from marketing too aggressively to them.

2. **If you owned a retail operation, would you sell through Amazon? Why or why not?**

   It would depend a little on what I was selling. For items that people expect to find on Amazon, like clothing, I probably would need to rely on it to maintain sufficient sales. However, if I sold highly individualized items, like personalized artwork, I might try to avoid the massive site, so that I could maintain my brand’s image and my connection with my customers.

BACK

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Consider some notable statistics: The past five years have seen the closure of approximately 25 enclosed malls, and 60 others appear at risk of closure. Among the survivors, around one-fifth of them suffer vacancy rates of at least 10 percent, and 3 percent of them are “dying,” as signaled by their vacancy percentages that exceed 40 percent.

It’s a bleak portrait. Yet, as we have discussed previously in these abstracts (see “What’s Different About Tomorrow’s Mall? You Never Have to Leave” in the June 2014 newsletter, or “Reinventing the Mall” from the July 2014 newsletter), some malls appear to be making a comeback. How can we reconcile these opposing trends?

One explanation relies on the increasing trends of income disparity. As the gap between haves and have-nots expands, high-end malls filled with luxury retailers and specialized services are enjoying remarkable growth. Mid-range and working class malls, once anchored by struggling retailers such as Sears, Kmart, or JCPenney, instead are faltering.

Another explanation that often is cited as the conventional wisdom is proving less accurate though. That is, many observers predicted that the growth of online retailing would be the end of malls. But in truth, online shopping accounts for only about 7 percent of retail sales, and in most cases, it takes sales away from big-box retailers, rather than the fashion chains that have long been the primary inhabitants of enclosed malls.

Instead, malls might be suffering from increased competition from other brick-and-mortar locations, outside of these enclosed spaces. Building booms in the previous decade created a “glut of stores in many parts of the country.” When there is more retail space than retailers to fill it, stores can pick and choose their locations. For many, the prominence of a stand-alone outlet is more appealing than a location in a fading mall.

Moreover, the bankruptcy of several chains that were a familiar presence in most malls, including Wet Seal and RadioShack, suggests that there are fewer retailers in the market for space in a mall.

Discussion Questions
1. What is the state of the enclosed mall in the United States?
   Endangered! Many malls are struggling to survive and maintain sufficient occupancy rates.

2. What characteristics are common to malls that are doing well and those that are not?
   For the most part, the malls that are succeeding are those that appeal to a high-end customer segment and luxury shoppers. Those that are fading are the ones that for years depended on midrange retailers. Those retailers are suffering, and so are the malls that depended on them as anchor stores.
Staples and Office Depot Say a Merger Will Keep Them Competitive


Use with Chapter 5, “Retail Market Strategy”

Competitive markets never stay still, and neither does the nature of the competition. The proposed merger between Office Depot and Staples, and predictions about the response by the Federal Trade Commission (FTC), reflect these constant changes.

Nearly 20 years ago, these two office supply retailers proposed a merger, which the FTC rejected as anticompetitive. In 1997, their merger would have allowed customers few other options for obtaining paper and toner, so the FTC shut it down.

But today, consumers source their office supply products from a wide range of retailers, including not just the office supply giants but also general merchandise retailers like Walmart and online providers such as Amazon. Accordingly, most observers predict that the FTC will allow the deal to go through this time, without many concerns about limiting competition. Doing so would be in line with the FTC’s more recent acceptance of mergers in other retail sectors, such as that between Macy’s and Federated Department Stores.

The merger admittedly would be a huge one, creating a combined company with around 4400 stores and $34 billion in revenue. However, the parties argue that such a massive size is necessary for them to be able to survive and compete in modern markets. For example, to go up against Amazon, both Staples and Office Depot have recognized the need for lower prices. The merger would enable the combined company to save approximately $1 billion, through economies of scale for purchasing, lowered marketing costs, and personnel layoffs.

Discussion Questions

1. Why might the Staples/Office Depot merger be more acceptable to the Justice Department today than it was in 1997? The argument for not allowing the merger in 1997 was that the merger would be anticompetitive and therefore tend to create a monopoly. These two retailers, if merged, would have commanded a very significant share of the office supply retail industry. If it were to have gone through, this monopoly power would have enabled the merged firm to first squeeze out other smaller competitors, and then left it open to raise prices. Today, competition in the office supplies retail sector is quite different. The smaller retailers are either gone or do not have much market impact. But other large retailers, like Amazon and Walmart, carry much of the same merchandise available at Staples/Office Depot. Thus, a merger would not necessarily lead to monopoly power or higher prices.

2. Do you believe the merger should be allowed? Yes. It doesn’t seem like it can be avoided at this point. The trend by which large retailers combine their efforts to achieve cost and marketing benefits appears to be unstoppable, especially in sectors like office supplies, where the products being sold are not very differentiated. People don’t really care if they buy printer paper from Staples or Office Depot.
For years, the U.S. Food and Drug Administration (FDA) has tried to remind consumers that it does not have any oversight rights over dietary supplements. Supplements such as ginkgo biloba, valerian, and ginseng also are legally required to carry a warning that explains that they have not been proven to treat any disease. However, most consumers likely assume that the herbal or nutritional supplements they purchase at least contain what the labels promise. That is, if you buy a bottle of ginseng, you assume you are getting ginseng pills. It appears you’re wrong.

In a recent investigation, representatives of the New York attorney general’s office purchased 78 bottles of supplements from 12 stores run by four major retailers: GNC, Walmart, Walgreens, and Target. It subjected the contents to DNA testing, which revealed exactly what was contained in each pill. In approximately 80 percent of the cases, the bottles did not contain any traces of the supplements they claimed to contain.

Instead, they featured inexpensive filler products, such as dried rice, houseplants, wheat, asparagus, and powdered legumes. Thus, consumers had been paying to consume various types of grains that offer none of the benefits claimed by the various supplement makers.

Furthermore, many of the ingredients in the products are serious allergens for people. The powdered legumes likely would spark a negative reaction in people with nut allergies, and the presence of wheat would be serious problem for people who seek to eliminate gluten from their diets. Not only did the bottles not list these contents, but in a few cases, they even promised to be gluten free.

The misrepresentations led the New York attorney general’s office to insist that the retailers remove the items from store shelves in that state. Walgreens promised to remove the misrepresented products from all stores throughout the country. GNC instead insisted on the quality and purity of the products it sold, claiming that it applied extensive testing to its supplements.

Manufacturers in the supplement industry have argued that government oversight of the industry is unnecessary, because any problems are the result of a few bad apples. But the vast proportion of products in New York stores that did not contain any of the advertised supplements—and instead contained potentially dangerous ingredients—suggest the entire orchard might be in trouble.

Discussion Question:

1. Should retailers selling fraudulent supplements be held accountable for their actions even if they are not aware the merchandise was fraudulent?

   In a word, yes. Especially if the products are being sold under the retailers’ store brand, they are offering consumers an implicit guarantee of quality. A shopper who relies on GNC for vitamins reasonably expects that GNC is promising that it sells what the labels on its vitamins promise. The question might be a little more complex for supplements sold under other brand names, but if Walmart, Walgreens, Target, or GNC is going to put its name on the product, that retailer should be held accountable for what is (or is not, in this case) contained in the product.

BACK
Internet Drags Down Some Retailers’ Holiday Profit


Use with Chapter 3, “Multichannel Retailing,” and Chapter 6, “Retail Financial Strategy”

If all retailers needed to worry about were sales levels, channels would not matter. But sales made with tiny margins leave less profit for the company than sales with higher margins, so the distinctions are important. The most recent evidence suggests that for omnichannel retailers, the different profit implications between online and in-store sales can be substantial.

For example, at Kohl’s, the profits earned from online sales are approximately half those earned for the same products sold in stores. Both Target and Best Buy announced that their predicted profits would continue to diminish as their online channels grew.

The reason has to do with the very nature of the sales channels. In brick-and-mortar stores, the costs to sell to 20 customers are approximately the same as those to sell to 50 customers. That is, the store is already open, staffed, and stocked, no matter how many people enter through its doors. Thus, each additional sale increases the profit that the retailer earns, after paying all its costs. In contrast, each product sold online induces new, unique costs to pick, pack, and ship the item. If 50 people buy pairs of jeans, the costs to the retailer shipping them are much higher than if 20 people buy those jeans.

Furthermore, because Internet shoppers cannot try on the clothing or get a clear sense of the color of the home decorating item before they buy, returns are far more frequent in online channels. Therefore, retailers also need to deal with the costs of returns, including additional shipping, labor to restock, and potential losses if the returned items cannot be resold.

The result is a substantial difference in profits. But the result also might not be avoidable. As Kohl’s Chief Executive Kevin Mansell explained, “I don’t care if customers buy online or in store. We’re focused on sales.” This focus is necessary, because customers demand the convenience of online ordering. Thus even if companies earn less, they need a web presence.

Not everyone agrees though. The European discount retailer Primark has pulled itself off the Internet, noting that despite a lot of demand, it could never earn a profit on its online sales.

Discussion Questions

1. For most omnichannel retail operations, which side is more profitable, stores or Internet?
   Most evidence indicates that retailers earn more profits from in-store sales, rather than online sales.

2. Among the strategic profit model ratios, which one is driving this disparity? Why?
   The expense-to-sales ratio is typically higher on the Internet side of the business. The gross margins may be similar, but the costs of fulfilling orders and accepting returns overshadows the expenses of running stores.
Online Pricing Is Secretly Discriminatory
Tom Ryan, Retail Wire, October 27, 2014

Use with Chapter 14, “Retail Pricing”

Price discrimination sounds terrible, but it is ubiquitous in practice, in the form of coupons, senior discounts, and early bird specials. For online shoppers, similar forms of price discrimination are widespread, and they likely are perfectly legal. However, because they are not transparent, they raise some ethical questions.

In a recent study, researchers conducted identical searches for products on 16 retail and travel websites. Some searches were conducted on mobile devices, others on regular personal computers, and still others on personal computers that had been cleared of all cookies and search histories. Perhaps not surprisingly, the researchers found a wealth of varied prices on at least 9 of the sites, as well as differences in the product and service recommendations. In some cases, the prices varied by hundreds of dollars.

For example, both Home Depot and Travelocity listed different prices when the search came from a mobile device versus a personal computer. Some travel sites offered discounts to “members,” whereas others listed different hotels on top of recommendation lists, depending on the cookies on the user’s computer.

The lack of transparency online is compounded because many sites allow the algorithms they use to determine the price to change frequently, depending on factors that remain hidden to consumers. That is, “In the real world, there are coupons and loyalty cards, and people are fine with that. Here [online], there’s a transparency problem. The algorithms change regularly, so you don’t know if other people are getting the same results.”

Still, the results are reassuring in a way: The researchers found little evidence of unethical efforts to discriminate against consumers. It isn’t as if online retailers are twirling their mustaches, plotting crimes against their users. Instead, they appear happy to keep shoppers in the dark, uncertain of whether they really have gotten the best price or the right hotel recommendation.

Discussion Question

1. Why might companies charge different prices to consumers who visit their sites using a PC versus a mobile device?

These companies likely have gathered some information that tells them how consumers using these different devices respond to their offers. Maybe travelers searching for flights on their computers tend to be more price sensitive, for example, than people who look for them through their smartphones. Price discrimination is nearly always an effort to earn more revenues by charging unique customers the different maximum amounts they are willing to spend. That’s what is going on here too.
Real-Life Stores Regain Cool as Web Lacks Hand’s-On Deals
Cornelius Rahn and Marie Mawad, Bloomberg BusinessWeek, January 20, 2015

The conventional wisdom about the balance of online and offline retailing has shifted once again. Noting that consumers continue to demand actual shopping experiences, rather than just virtual shopping tools, attendees at a recent Digital Life Design conference in Munich widely recommended the need for retailers to maintain some physical stores. When Sears underinvested in its stores and overemphasized its online options, it suffered mightily. On the other side, various Internet retailers, from the small Italian shoe retailer Aquazzura to the giant Amazon, have opened at least a few physical locations. These locations are less critical as a point of sale than as a site for experience. As one attendee at the conference noted, “There’s a trend going from URL to ‘IRL’—‘in real life.’”

TechBytes: Five Hot Tech Trends from NRF 2015
Dan Berthiaume, Chain Store Age, January 20, 2015

Of the five main technology trends identified during the National Retail Foundation’s 2015 annual show—smart inventory, RFID, security, big data, and mobile—a few highlights appear particularly relevant and insightful. For example, when it comes to effective inventory technology, the key barometer is not just its ability to fulfill orders easily but its capacity to locate any particular item and distribute it from any location to any other location, in nearly real time. To achieve such real-time methods, retailers need to keep expanding their RFID capabilities. In addition, RFID is emerging as a critical resource to support customer relationship management, personalized recommendations, and automatic payments, beyond its promised benefits for inventory tracking. Finally, mobile continues to appear on these lists of important trends, yet its development appears largely stalled. Innovative approaches are needed, because mobile technologies are unavoidably going to be the primary methods for interacting with consumers, even when they are in stores.

JCPenney to Bring Back Catalog
Tom Ryan, Retail Wire, January 21, 2015

Catalogs, After Years of Decline, Are Revamped for Changing Times

With the prediction that most consumers wanted to shop online, JCPenney phased out its famous catalog in 2009, hoping to save on production and mailing costs. But its recent analyses have shown that many of its online sales occurred only after consumers saw some desired items in the “Big Book.” Halting the catalog caused the retailer to lose many customers. Accordingly, it will ship a 120-page catalog in March 2015, focused on home goods, to selected target customers that the retailer considers “lapsed.” With this approach, JCPenney is seeking to address some of the complaints that customers shared in the past, when catalogs of up to 1000 pages cluttered their mailboxes around three times each year. It also is leading a global trend: The number of catalogs mailed by retailers has begun to increase, following nearly a decade of declining rates. Although JCPenney assumed that it could move its catalog customers online, its experience indicates the continued challenge of doing so. Some of the difficulty might reflect the development of the modern Internet: So many items are available online, consumers need help organizing their search, a role that catalogs can fill well.

RadioShack Files for Chapter 11 Bankruptcy After Deal to Sell Some Stores

Everyone knew it was coming. For some, the only surprise was how long it took. RadioShack, the retailer that sold the first electronic calculators and mass market computers, entered Chapter 11 bankruptcy. It had not made a profit in nearly four years, and it suffered from an outdated, unappealing image among new generations of consumers. Thus, despite some valiant recent efforts to halt and reverse its decline—including a widely praised, humorous Super Bowl commercial that gently mocked its out-of-date...
image—the end has come. The bankruptcy deal will allow Sprint to take over many of the chain’s approximately 4000 stores, and the remainder will close, leaving around 27,000 employees without a job.

**Target to Exit Canada After Failed Expansion**


Back in September, in these tidbits, we addressed the question: Were Target’s efforts to expand into Canada doomed? (see “Should Target Cut and Run in Canada?”). At the end of last year, Target’s executive leadership undertook extensive tours and reviews of its Canadian operations and determined that they were unlikely to start turning a profit until 2021. Noting that it could not continue to support losses for such an extended period, Target’s Chief Executive Brian Cornell decided to shift the chain’s focus. Rather than being “distracted” by the massive efforts required to make the Canadian expansion successful, Target has sought to improve its online shopping appeal and enhance its offers in several core product categories, such as baby products. Although hindsight is easy, this refocusing appears to be appropriate: Since November 2014, its U.S. sales have increased by 3 percent. Still, the choice was not an easy one, especially because Target anticipates spending half a billion dollars to complete the closures of all of its Canadian stores, including $59 million in severance pay for the approximately 17,600 Canadian employees who are about to be out of a job.

**Walmart Raising Wage to at Least $9**


Walmart has long come in for criticisms, for various reasons, but the low wage it pays its retail associates has been a prime target. Whereas it has lagged behind many other retailers in the past, Walmart recently announced plans to increase wages for its employees, putting it above the federal minimum wage. It still might not reach the ranks of Costco, where employees earn an average of close to $20 per hour, but it will guarantee a minimum wage of $9 by April, then $10 by February 2016. The move reflects several motivations for the largest private employer in the United States. First, bumping wages gives it an opportunity to respond to criticisms and enhance its image, among both outsiders and its own workforce, which has called for higher wages for some time. Second, national trends suggest that the federal minimum wage might continue to increase. By instituting the increase now, Walmart can get ahead of the curve. Third, the stronger job market and decreasing rates of unemployment require retailers to compete for good employees. Raising wages is one of the most obvious ways to do so. Because of the powerful influence Walmart has, we might expect to see wage increases announced soon by its competitors too.