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

- **What Retailers Need to Know About Apple Pay** (Chapters 6 and 16)
- **U.K. ‘Cheap Chic’ Chain Prepares to Make an Entrance in U.S.: Primark, Vowing Lower Prices than Rivals, Will Repurpose Sears Stores** (Chapter 5)
- **Designer Rebecca Minkoff’s New Stores Have Touch Screens for an Online Shopping Experience** (Chapter 17)
- **Whole Foods Asks Shoppers to Consider a Value Proposition** (Chapters 13 and 15)
- **Why CAbi and Other Direct Sales Apparel Labels Are Ringing Up Sales** (Chapter 2)
- **How Appealing to Women Has Helped the Home Depot** (Chapters 5 and 18)
- **CVS Plays Hardball with Rival Drug Chains** (Chapter 5)
- **Retailers’ Lines Blur on Outlet Stores** (Chapters 2 and 7)
- **Does P&G Need Retailers Anymore?** (Chapters 5 and 13)
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- **Amazon Is Testing Taxis for Deliveries**
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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

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Every new introduction by Apple attracts widespread attention. But when the tech giant introduced Apple Pay, the potential implications might not have been completely clear to the techie and consumers who love to hear what the innovator is doing next. According to some observers, Apple Pay and its competitors have the potential to reconstruct the retail landscape—or to fade away as just another fad that few people found sufficiently appealing.

Apple Pay is unique among mobile payment systems in several ways. It relies on near-field communications (NFC) technology, such that a chip in smartphones sends a signal to a receiver maintained by the retailer. Consumers pay for their purchases by unlocking their iPhones with their fingerprint. The payment system is linked to the customer’s credit card, but no account information gets sent to the retailer; instead, each transaction takes a specific transaction code for the retailer, which Apple Pay completes by using the credit card information stored in a secure element that is inherent to the phone’s system. That is, no one ever holds the customer’s payment information other than the bank that issues the credit card used.

Other mobile payment options, such as CurrentC, instead function through an app, such that they work with any smartphone, not just the iPhone 6, and do not require an NFC sensor. Instead, retailers scan a QR code generated by the app to complete the transaction. CurrentC also does not link to users’ credit cards but instead takes the money directly out of a bank account. With this method, retailers no longer need to pay the swipe fees charged by credit card companies for the convenience.

Perhaps not surprisingly, the major credit card companies have lined up behind Apple Pay, as have prominent retailers such as Macy’s, McDonald’s, Whole Foods, and Sephora. It is thus available at more than 200,000 retailers. Yet the stores that have not adopted Apple Pay might be even more pertinent, because they include Walmart and Best Buy. These retailers have announced that they will not be adding NFC sensors to their stores, even as credit card companies increasingly are mandating that all new credit card readers include this technology.

A showdown thus appears to be brewing: on one side, a partnership among one of the most popular brands in the world, all the major credit card companies, and many huge banks; on the other side, the world’s largest retailer and the habits of shoppers who already use their credit cards at some 9 million retailers.

The resolution to the showdown ultimately depends on consumers’ preferences. The various mobile payment systems promise to solve a pressing consumer need, in that they offer greater security. Because they do not involve any transmission of the consumer’s credit card information to the retailer, the chances of a data breach decrease.
significantly. At the same time, these systems require consumers to link the mobile provider to their payment information, so they might just move the location for the potential data breach. Moreover, the question remains if shoppers really find it more convenient to pull out their phones to be scanned or to swipe with their finger, rather than handing over their credit card. Previous options such as Google Wallet and PayPal at the register have not met with great success.

Discussion Questions:

What are the advantages and disadvantages of Apple Pay from retailers’ perspective? From consumers’ perspective?

For retailers, Apple Pay offers another payment option that might allow them to appeal to customers. With this system, the retailer does not have to worry about storing any payment information, so it avoids some security costs, as well as the threat to its reputation created by security breaches. Yet Apple Pay still is linked to credit card companies, so it does not allow the retailers to avoid—and might even increase—the fees they must pay to credit card firms for each transaction. For consumers, Apple Pay is innovative and convenient, resonating with the image that Apple fans embrace. Furthermore, it promises greater security, because their payment is never stored anywhere. However, if consumers do not find it particularly convenient or distrust the concept of NFC, the benefits of Apple Pay are unlikely to sway them sufficiently to adopt it widely.

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U.K. ‘Cheap Chic’ Chain Prepares to Make an Entrance in U.S.: Primark, Vowing Lower Prices than Rivals, Will Repurpose Sears Stores


Use with Chapter 5, “Retail Market Strategy”

The fast fashion market is dominated by retailers that originated outside the United States, and its continued growth appears likely to be similarly international in flavor, as the U.K. chain Primark readies to introduce its extreme low price model in North America.

In some ways, Primark mimics the tactics of its well-known competitors Zara and H&M: It moves new fashions quickly into stores, maintains an extremely efficient supply chain, and presents its offerings in funky storefronts. But some of its policies also set Primark apart from other fast fashion firms.

In particular, it steadily refuses to open an online channel. Claiming that its cost orientation means it cannot support frequent returns by mail and shipping costs, Primark asserts that it will always remain exclusively a brick-and-mortar retailer. Accordingly, it invests more in its physical locations than most fast fashion chains—selecting prime locations, building huge interiors with sophisticated designs, and moving quickly into vacant stores in high traffic malls. For its entry into the United States for example, it is taking over multiple closed Sears and Filene’s locations and performing massive renovations to get the spaces appealing to shoppers.

In addition, Primark’s prices tend to run even lower than those of its low price competitors. The company insists that its pricing policies stem from its stringent supply chain efficiencies, though some critics suggest that it takes unfair and unethical advantage of inexpensive labor in less developed nations.

Another challenge for Primark is its relatively poor name recognition outside the United Kingdom. It hopes that the young fast fashion shoppers who stumble upon its stores will quickly spread the word about it through social media. If they get a good enough deal, such customers might not be able to help themselves, even if they cannot shop through an online channel.

Discussion Questions:

What is Primark’s retail strategy: its target market(s), retail format, and bases for sustainable competitive advantage?

Primark is targeting fast fashion shoppers, who tend to be young and trendy. However, it will not open an online channel, even though it hopes shoppers talk about it in social media. Its competitive advantage stems mostly from its low price position, which is sustainable only if others cannot copy its efficient supply chain.

Who are Primark’s primary competitors in the United States?

The primary competitors are Zara and H&M, as well as other low cost retailers, such as Kohl’s or Target.
Do you believe it will have a successful entry into the United States? Why or why not?

*Primark appears confident in its ability to expand throughout the United States, and other fast fashion retailers have succeeded in this market. It thus should be likely to succeed, especially if its prices are lower than others’. However, if it cannot maintain its supply chain advantage, it might not ultimately win out, and its refusal to open an online channel might frustrate U.S. shoppers, especially if they do not live near a Primark retail location.*

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BACK
Designer Rebecca Minkoff’s New Stores Have Touch Screens for an Online Shopping Experience

Elizabeth Holmes, The Wall Street Journal, November 12, 2014

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

When considering the design of two new stores for her eponymous brand, in New York and San Francisco, Rebecca Minkoff thought carefully about her own shopping experience. One of the most annoying points, she noted, occurred in dressing rooms. Shoppers take a particular size or color or combination of clothing into the fitting room, then find that it isn’t quite right. Then they have a couple of options: They can get redressed in their own clothing, gather all their belongings, and venture back into the store to find the right size, color, or combination, or they can stick their heads out of the door and hope a salesclerk is nearby.

To avoid that irritating moment, the new stores rely heavily on in-store technology. To start, instead of wandering the racks, customers can visit a touch screen on the sales floor to browse the inventory and select items they want to try. A sales clerk gathers all the items, then texts the customer when the fitting room is ready. Then, in the fitting rooms themselves, another touch screen allows the shopper to request additional items or sizes or simply ask for assistance. Instead of wandering the store half dressed or worrying about leaving their purse unattended in the dressing room, they can simply summon a sales clerk to bring them the variants of clothing that they need.

Once they have made their selections, these shoppers also don’t have to seek out the checkout desk. Instead, the sales clerks, armed with mobile devices, can complete the transaction from anywhere in the store. Or if the shopper wants to think about the purchase a little more, the system can send the pertinent RFID information for the selected items to the customer’s phone, allowing him or her to purchase it online later.

The high-tech systems came about through a collaboration with eBay, which maintains a retail innovation branch, separate from its more famous online auction site. The retail innovation department developed the Rebecca Minkoff store technology expressly for the brand’s dedicated shoppers: mostly women in their 20s and 30s who are social media savvy and happy to spend around $325 for a designer handbag—and who hate the idea of running around a store in their socks to find the right size.

Discussion Questions:

What new technology appears in the new Minkoff stores?

The in-store touch screens are advanced in their capabilities and connections. They allow shoppers to shop in virtually any way they want, with relatively little friction.

Is this technology adaptable to other retail formats? If so, which ones?

High-end clothing retailers likely can all benefit from such technology. It makes it easier for customers, who are willing to spend a lot of money, to find exactly what they want without getting frustrated. However, it might be too expensive for low price retailers, and it might be less effective for retailers in other product markets, such as hardware or furniture.
Would this technology improve your in-store experience?

Absolutely! I would love to be able to get my shopping done more quickly and conveniently.
Not really—I like digging through the racks to find just the item I want. If I wanted to use a touch screen to shop, I’d just shop on my tablet.
Whole Foods Asks Shoppers to Consider a Value Proposition


Whole Foods Debuts Good, Better, Best Rating System for Produce

George Anderson, Retail Wire, October 17, 2014

Use with Chapter 13, “Buying Merchandise” and Chapter 15, “Retail Communications Mix”

For its first national branding campaign ever, Whole Foods has two primary objectives: redefine the notion of value, and make sure customers understand how and why the grocer provides it to them. Whole Foods’ dwindling sales numbers and decreased earnings might suggest the need to lower prices, so that consumers consider it more valuable. But Whole Foods rejects that notion, arguing instead that value means far more than prices. And it has several ideas in mind to prove that it is right.

To start, it has introduced a new Responsibly Grown rating program, which identifies all fresh produce and flowers according to their environmental impact. The program is stringent in its demands. When vendors exert minor environmental impacts, they are rated good; those producers that go further, such as minimizing wasteful plastic usage or ensuring conservation areas for bees, earn a ranking of better. The producers identified as the best address a vast range of responsibility initiatives, from working conditions for farmers to conservation efforts to clean energy to renewable resources and so on. For example, one criterion asks farmers how many earthworms live in the soil on their farms.

This produce-oriented initiative follows Whole Foods’ existing efforts, such as its eco-scale applied to cleaning products and separate programs to determine the sustainability and responsibility associated with animal and fish products. Furthermore, by 2018, it plans to introduce labels that indicate whether any particular food item contains any genetically modified ingredients.

In parallel with these new initiatives, Whole Foods has developed a revised advertising campaign, with a prominent tagline that reminds shoppers that “Values matter.” The commercials emphasize that by shopping at Whole Foods, consumers can be confident that their food has been sourced responsibly and fairly. For example, any beef purchased in the stores has been raised by responsible ranchers who give the cows “room to roam.”

By promoting the idea that “value is inseparable from values,” Whole Foods seeks to remind shoppers of all that it provides, in exchange for a somewhat higher price point. In particular, it promises that they can make their food choices confidently, buoyed by a range of information that Whole Foods will make available to them at all times.

Discussion Questions:

Are Whole Foods’ new promotion and product rating strategies consistent with its corporate mission of providing value to customers?
The answer depends on the consumer. For some people, knowing that food has been sustainably sourced or is free of GMOs is so important that they place very high value on it. But other consumers may be less interested in such questions. If they do not care about the provision of this information, then offering it is not valuable for this segment of consumers.

Is Whole Foods’ value mission consistent with its pricing strategy?

By focusing on aspects other than low prices, Whole Foods’ value mission effectively sets the stage for its pricing strategy, which is often not focused on offering the lowest prices.
Why CAbi and Other Direct Sales Apparel Labels Are Ringing Up Sales

Cristina Binkley, The Wall Street Journal, June 4, 2014

Use with Chapter 2, “Types of Retailers”

When shoppers are pressed for time, they need help getting their purchases made. The conventional wisdom suggests that they want convenient access, such as online channels that enable them to buy clothing and household décor in a free moment, after they have gotten the children to bed or before they leave for work in the morning. But another sales model takes a different approach. With direct sales, shoppers need to carve out time to visit someone’s home, listen to a pitch, place their orders in person with a sales rep, and then wait weeks for their orders to arrive. This model may seem more inefficient, yet it is growing substantially. The reason may be that it serves a dual purpose.

For modern consumers, with too many demands on their time, the first thing they cut out is frequent socializing. If they need to get laundry done, they don’t meet friends for dinner. With direct sales, consumers can socialize while shopping, killing two birds with one stone and having a great time while doing it.

The CAbi line offers women’s clothing and accessories; various other direct sellers also offer meals, kitchen gadgets, jewelry, candles, makeup, and so forth. The structure of the supply chain is similar, in that the salespeople earn by hosting parties. They take a percentage of the sales made; at CAbi for example, a host earns 33 percent of the total sales made at a party. In addition, top sellers often recruit hosts who work for them, from which they earn an additional, smaller percentage of revenues.

For CAbi, the target market is working women, between 30 and 65 years of age, who are happy to pay a little more for a “girlfriend experience.” The shopping experience is not only social and fun, but it also helps reduce their sense of risk. If a dress just doesn’t look right, the friends at the party are right there to tell her not to buy.

Discussion Questions:

What is CAbi’s retailing strategy?
CAbi uses a direct sales approach, such that its representatives host parties and visit people’s homes with a selection of inventory, then take orders.

Why is CAbi, and similar retailers, succeeding right now?
These direct selling channels give consumers a good reason to socialize and take a break from their daily routine, while also helping them refresh their wardrobes or complete their gift shopping. In this sense, they offer both functional and hedonic benefits.

What makes this approach so different from that of other modern retailers selling to the same target market?
Many retailers seek to make the buying process more efficient and quicker. Direct selling is comparatively inefficient and slow, and it focuses on making the shopping event into a social gathering. By coming into people’s homes, the direct selling representatives act more like close acquaintances than like salespeople, giving a group of friends a chance to gather together and have fun for an evening.
How Appealing to Women Has Helped the Home Depot

James M. Kerr, ManagementIssues.com, October 3, 2014

Use with Chapter 5, “Retail Market Strategy,” and Chapter 18, “Customer Service”

With the growing recognition that approximately two-thirds of the decisions about home improvements are made by women, Home Depot has initiated what some observers call an “about-face” in its effort to appeal more effectively to female consumers, as well as compete better with its main rival, Lowe’s. This radical change in direction consists of several key initiatives.

First, Home Depot is renovating its stores. Once the aisles purposefully embraced a sort of construction site feel, with wheeled pallets and jumbled displays of nuts and bolts. But new renovations will start with better lighting and cleaner product displays. In addition, greeters at the entrance will now be posted to help people find what they need.

Second, the greeters are not the only nod to improving customer service. Devices mounted in stores will enable shoppers to check prices or find particular items, without having to seek out an employee. At the same time, Home Depot is providing more training to employees, encouraging them to provide better and more effective assistance to those shoppers who might be less familiar with hardware and home improvement projects.

Third, new product lines feature familiar names such as Martha Stewart and expand the inventory mix to include more décor and convenience items for the household. The idea is that a trip to Home Depot can be a family event, because it carries items for parents of either gender, as well as small projects for kids.

Fourth, if shoppers want to install their new purchases on their own, Home Depot offers do-it-yourself workshops in stores, as well as online video tutorials. If they want to have the product installed by professionals, Home Depot provides a list of qualified, rated subcontractors available for the work. Thus the retailer is hoping to become the source for all its customers’ home improvement needs, from the smallest project to the largest remodeling.

Discussion Questions

What is Home Depot doing to appeal more to female consumers?

Rather than maintain its image as a rough-and-tumble hangout for professional contractors, Home Depot is seeking to make its stores more appealing to the whole family, including women who need supplies for their home improvement projects. In addition to cleaning up and adding lights to stores, it is working to improve the customer service that is readily available in stores.

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CVS Plays Hardball with Rival Drug Chains


Use with Chapter 5, “Retail Market Strategy”

In these abstracts, we have been following closely the decision by the national drug store chain CVS to phase out all sales of tobacco products and rebrand itself as CVS Health, a broad-based provider of health care services. A key piece of the provider network puzzle fit in when CVS purchased Caremark, a pharmacy benefits operator. Now, through Caremark, CVS Health is encouraging customers to patronize only pharmacies that refuse to sell tobacco (such as CVS outlets), by offering discounted copayment charges for prescriptions medications obtained through those stores.

Specifically, for people enrolled in Caremark pharmacy plans, the copayments for prescriptions obtained a non-tobacco outlets can be up to $15 less than the same purchases made through drug stores that also sell tobacco. Obviously, CVS stores are among the former group, as are some independent chains and Target. However, buying medications from competitors such as Walgreens and Rite Aid, which continue to sell tobacco, would leave consumers with a higher bill.

The city of Philadelphia already has embraced the tobacco-free network offered through CVS Health, noting that its goal is to encourage its employees to end their tobacco use anyway. Other actors are a little less enthusiastic, including local drugstores that claim they cannot effectively communicate whether they carry tobacco or not, so customers are unlikely to visit them, even if they would not be subject to the $15 premium.

In addition, some suggest the move limits competition. By making it substantially more expensive for consumers to obtain their prescriptions from other chains, the Caremark division grants its affiliated CVS retail arm a powerful advantage. Although CVS’s purchase of Caremark prompted a review by the Federal Trade Commission, for fear that it was anti-competitive, the merger was allowed, and CVS Health has not been affected.

Discussion Questions

Besides its decision to stop selling tobacco products in its stores, what is CVS Health doing to dissuade people from smoking?

CVS Health makes it more expensive for shoppers to get their prescriptions from stores that sell tobacco, which could reduce smoking rates by making it less convenient for people to purchase cigarettes or chewing tobacco at the same time they go out to pick up their medications.

How does this decision affect its competitors?

The decision has the potential to reduce competitors’ business, because if people can save $15 per prescription, just by going to CVS instead of Walgreens, they are likely to do so.

Is this decision anti-competitive and therefore subject to antitrust considerations?

If it isn’t anti-competitive, it certainly comes close. CVS Health controls both the prescription drug plan and the retail outlets that provide those drugs, so essentially, it can force people to use its pharmacies. However, it uses the rationale of trying to benefit society, by improve people’s health, which may help protect it from antitrust actions.
Retailers’ Lines Blur on Outlet Stores


Use with Chapter 2, “Types of Retailers” and Chapter 7, “Retail Locations”

The very notion of an outlet store has changed. Once, they were distant outposts where high-end retailers could send overruns, flawed items, and end-of-season leftovers. Today, these appealing alternatives show up in popular shopping locations, with dedicated apparel filling their shelves. The reasons for the shift are many, but the risks might be just as numerous.

Traditionally, high-end retailers stringently avoided locating their outlet stores anywhere near their full price operations, seeking to avoid any contamination, cannibalization, or cross-over. But with the expansion of outlet malls, customers grew more accustomed to having outlet options readily available. These outlets also have been moving steadily closer to urban centers, such that 70 percent of those that opened in 2013 were in metropolitan areas populated by at least 1 million shoppers.

Retailers embrace the channel because of their constant need to shore up their revenue streams and continue to grow. Thus Saks maintains about 75 of its Off Fifth outlet stores, nearly twice the number of traditional stores it operates.

Yet the risk to these retailers is clear: If shoppers can choose easily between an outlet and a full-price store, both carrying similar merchandise, they seem likely to prefer the lower cost option. The high-end accessories brand Coach is testing this prediction. After suffering some substantial sales declines, potentially because it opened outlets in close proximity to its traditional stores, the retailer is planning a real-world experiment. It will close two of its outlets next year, then measure whether the shoppers switch to another nearby outlet or to the proximal full-price retail sites. Thus, “we’re going to be able to measure ... will the consumer shift to another Coach channel, can we influence her or guide her to shift through targeted and strategic communication?” as Coach’s president of North American retail explained.

The outcome of this experiment will likely be of great interest to a lot of retailers. Coach predicts that only about 10 percent of its customers shop in both outlets and full-price stores. Similarly, Saks and Nordstrom assert that the people who visit Off Fifth or Nordstrom Rack are not the same shoppers who make a trip to their high-end retail locations. Instead, Nordstrom believes that expanding its outlets offers a benefit, in that its data show that consumers get introduced to the brand through the outlet, then move up to the full-service options over time.

In contrast, the CEO of Victoria’s Secret insists that outlets are a dangerous and slippery slope. Once customers lose their sense that a brand is prestigious and worth the high price—that is, once they think they can get basically the same things in an outlet—the damage to its reputation may be irreversible.

Discussion Questions:

Why are some retailers placing their outlet stores in close proximity to their main stores?

These retailers assert that the proximity actually increases their competitiveness. They can attract different segments of consumers with their diverse offerings, all located in convenient locations.
What are the potential risks of this outlet strategy? What are the potential rewards?

If crossover between outlet and full-price shoppers is minimal, the retailers gain access to new markets of customers and can grow and increase their revenues effectively. However, if too many customers switch from the full-price to the outlet channels, the stores will lose profits.

Explain, from a branding and market segmentation strategy, what a retailer must accomplish with its target market(s) to prevent cannibalization of sales at its flagship stores from outlets.

Although there is a strong possibility of cannibalization, cannibalization isn’t always bad, and even is very prevalent in different retailing situations. For example, Starbucks locates stores in close proximity all the time. Economic theory says that as long as the profit earned from the combined stores is greater than it would have been with one store, more stores should be opened. Having outlet stores near full-priced stores also is similar to taking markdowns, from a market segmentation perspective. Full-price stores attract less price sensitive customers; outlets attract more price sensitive ones. This phenomenon is no different than the case in which stores attract a less price sensitive segment when their merchandise is not on sale, then a more price sensitive group when it is. One way to differentiate the outlets from full-price stores is to carry a slightly different stock selection. But retailers must be careful to not offer merchandise that is of significantly lower quality in their outlet stores, because it still features the same brand as the full-priced stores, such that it could have a negative impact on the brand if the quality is poor.

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BACK
According to Alex Tosolini, the senior vice president of global eBusiness at Procter & Gamble (P&G), “Our job is not to change consumer behavior. Our job is to follow consumers’ behavior and be present with our brands.” It’s an effective summary of the rationale for the manufacturer’s latest supply chain move, which promises to have substantial effects on the way retail gets done.

Noting that people increasingly purchase the consumer goods that it manufactures online (e.g., diapers, detergent, paper towels), P&G is seeking to enhance its direct-to-consumer online sales. Rather than adding shampoo to a repeat purchase list on Amazon, P&G hopes to convince consumers to buy directly from it, the manufacturer.

In so doing, it could increase its own margins, because it would not need to share the revenue with the retailer. In addition, it likely could undercut any retailer on price, because it would not need to maintain retail stores. Considering the long-standing, close relationship between P&G and Walmart, such moves might make for some awkward strategy meetings in the near future.

The move also requires P&G to build some new infrastructure, including fulfillment centers located strategically throughout the country, so that it can be sure to get the products into customers’ homes as quickly as Amazon or Walmart.com promises to do. It already has started building an $89 million distribution center outside of Dayton, Ohio.

**Discussion Questions:**

**Why has P&G decided to sell direct to consumers?**

*By selling direct to customers who are already ordering its products online, P&G can essentially cut out the retail middleman and earn more profits for itself.*

**If you were Walmart, what would you do about it? Would your answer be any different if you owned a small regional grocery store chain?**

*Walmart likely has some leverage, because of its long relationship with P&G and its massive buying power. At the same time, P&G has so many products that it isn’t as if Walmart can realistically threaten to stop selling these items in stores. Walmart might need to get creative to find new ways to maintain the partnership. For a small chain, there is little it can do; it lacks the negotiation power to make P&G do anything. These grocers will need to try to attract customers using other tactics, rather than basing their promise on price.*
Are These Retail Stores Going Extinct?

*Daphne Howland, Retail Dive, October 13, 2014*

*Use with Chapter 5, “Types of Retailers”*

As consumption trends shift, there are always winners and losers. When people stopped wearing formal hats, most hatteries and milliners went out of business, for example. We might similarly predict some likely closures, based on recent trends. But some of these predictions might be premature, or inaccurate, in ringing the death knell for an entire industry of retailers.

Consider tobacco shops as an example. Their long-term survival comes more and more into question as smoking rates decrease. However, the decreases in smoking rates are occurring simultaneously with decisions by drug stores, such as CVS, to stop selling tobacco. Thus for small, independent shops, the trends might turn out to be a boon. In the smaller market, they will be the only ones left selling cigarettes, and they can also leverage their market to sell more e-cigarettes and other innovations to consumers who insist on their right to smoke.

Similarly, independent record stores and book stores, if they can hang on to survive the shakeout of their industries, might be well positioned to succeed in the long run. As major chains in both sectors have closed down, local stores can appeal to fans who still love the sound of vinyl or appreciate the recommendations of the neighborhood bookseller. For these retailers, the movement to encourage people to “shop local” also provides a strong form of support. They can help consumers feel more virtuous, just by remaining open and helping shoppers justify their purchases as a tactic to support their local economy.

As these examples suggest, it can be tempting to rely on trends to predict survival rates, but it also can be inaccurate. When people’s tastes change, some retailers will go out of business. But if a seller of a particular product can adjust and appeal to buyers’ nostalgia, sense of identity, or moral drives, it might find itself in an even better position than it was when its products were more widely popular.

**Discussion Question:**

What types of retailers do you believe will go extinct in the next five years or so?

That’s hard to predict. However, one likely candidate for extinction is retail service providers that repair equipment or technology products, such as stereos or televisions. As the technology lifecycle keeps speeding up, consumers are far more likely to replace a broken item, rather than paying to have it repaired.

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Retail Tidbits

Online Pricing Is Secretly Discriminatory
Tom Ryan, Retail Wire, October 27, 2014

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. A recent study showed that identical searches for retail and travel products—conducted on mobile devices, computers cleared of all cookies, and computers that had not been so cleared—often returned different prices and results. 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 at the top of their 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.

Omni-Channel Behaviors May Ebb and Flow
Steve Smith, Marketing Insider, October 24, 2014

By definition, trends are temporary. They may be long-lasting, but they slow, halt, or even reverse at some point. Thus the widely touted trend in which all consumers were predicted to move to digital shopping methods is prompting some questions, as shoppers find the balance of channels that work best for them. In 2013, more than one-third of consumers used their advanced smartphones to check for better deals while in stores, but such “showrooming” tendencies have fallen since then. Similarly, even as people still order online, fewer of them are doing it through their computers. Instead, online shopping through mobile devices accounts for approximately one-quarter of all shopping activity. Even though the trends thus are difficult to predict or maintain, some lessons emerge for retailers. In particular, the vast variety of consumers in the market like to use different channels, so retailers need to strategize and consider how to ensure their content appeals to all these consumers, in a variety of settings. For example, more people might be buying through their mobile devices, but some of them might be standing in a store and holding in their hand the same item that they are buying online, whereas others might be browsing distractedly on their tablet while watching television. Across channels and situations, trends are always fluid.

Will Customer Satisfaction Monitors Inspire or Irritate Staffs?
Steve Rowen, Retail Wire, November 4, 2014

A seemingly simple technological tool holds promise for helping retailers greatly improve their customer service provision. The “Happy or Not” customer satisfaction measurement tool looks like a basic, black stand, with four buttons depicting simple cartoon faces that indicate varying degrees of happiness. Immediately after a service encounter, customers are encouraged to push one of the buttons, indicating how satisfied they are—a big smile, a big frown, or somewhere in between. Because the employees see the results immediately, they have a strong incentive to exhibit greater friendliness and assistance. Who wants to receive a frowny face from an unhappy customer? Although retailers might gather the data over time, to inform their longer-term performance appraisals, the immediate feedback can offer a compelling motivation to customer service employees to strive their hardest, for the simple reward of a customer who selects a happy face.
### The “Best Performing” CEOs in the World

*Kelsey Lindsey, Retail Dive, October 24, 2014*

Researchers from *Harvard Business Review* used metrics such as shareholder returns and market capitalization to derive a list of the top 100 CEOs worldwide. Eight of these stellar leaders represent retail firms—including the very top spot on the overall list, which went to Jeff Bezos of Amazon. In addition, some close competitors both made the top 100 list, such as Michael Balmuth of Ross Stores and Carol Mayrowitz of TJX, which runs the TJMaxx and Marshalls chains. For these retailers, their growth and expansion stems largely from their savvy appeal to price-conscious shoppers. For Blake Nordstrom, heading his family’s eponymous retail chain, and Michael Kowalaski of Tiffany & Co., the strength of their leadership instead involves leveraging their valuable, high-end brands. Finally, the list includes leaders from around the world, such as Tadashi Yanai, who is working to introduce Uniqlo, the top brand in the Fast Retailing portfolio, into more countries, including the United States.

### Making Fewer Trips, Shoppers Buying Food in Stranger Places

*Sarah Mahoney, MediaPost, October 22, 2014*

In a market that hosts literally thousands of purchase paths, the notion of an “average” consumer household no longer exists. Instead, most consumers buy supplies for their households through a diverse and sometimes seemingly confusing range of supply channels; 80 percent of them visit at least three stores to complete all their grocery shopping. Dog food is a huge seller online; frozen food items are big at dollar stores; and drug stores sell a remarkable amount of wine. Although determining why consumers make these purchasing choices is of interest, for retailers, the key recommendation is to recognize that they must provide a broad-based range of valuable offerings and remain agile enough to shift their practices to meet customers’ needs.

### Dollar Tree Racks Up Safety Violations


In just 12 months, the discount retailer Dollar Tree was cited 48 times for unsafe working conditions in its stores—a remarkably high rate that led to fines of $866,000 in total. Usually in response to complaints from workers, the U.S. Occupational Safety and Health Administration (OSHA) has inspected stores and found unstable stacks of cartons, blocked exits, and exposed electrical panels. Furthermore, an OSHA review of Dollar Tree’s workers’ compensation reports indicated that many employee injuries resulted from such unsafe conditions. Dollar Tree is contesting the fines, claiming that none of the violations were very serious. However, considering the tight cost pressures that the retailer imposes, many stores are often understaffed, such that the few employees on duty might be forced to leave half-unpacked containers sitting in the aisle so that they can serve customers. According to some workers, managers are unsympathetic to complaints of dangerous conditions, telling employees that the corporation requires such circumstances, if they want to keep their jobs.

### Americans Are Unhappy with Loyalty Program Rewards

*Colloquy Staffers, Retail Wire, October 14, 2014*

When it comes to loyalty programs, U.S. consumers join many but like very few of them. More than half of consumers surveyed indicated that they were dissatisfied with the loyalty programs to which they belonged, mostly because they found the rewards themselves unappealing, considered the redemption process too frustrating, or experienced constraints on their ability to redeem points they had earned. Although many consumers indicated that they
purchased more after they enrolled in a loyalty program, they also noted their likelihood to be more satisfied if the rewards were better. In particular, 93 percent of them called the type of reward critical to their decision to join a program, and more than half noted that they liked tickets to events, such as concerts or sports, better than travel rewards, such as airline upgrades. Rewarding consumers with a fun experience thus might be the key to loyalty program success.

**Amazon Is Testing Taxis for Deliveries**

*Greg Bensinger, The Wall Street Journal, November 5, 2014*

Although not exactly a state secret, Amazon’s experiment with taxi-based deliveries of products also was not widely reported. Until the retailer determines if the process will work, it appears likely to remain a limited market test. But this fall, Amazon relied on a mobile app by Flywheel Software to summon taxicabs to distribution centers in Los Angeles and San Francisco. It loaded the cabs with around 10 packages that were going to the same ZIP code, paying them $5 per package if it arrived at the destination within an hour. Most deliveries took place early in the morning, when demand for taxis was relatively lower (and when competitors were less likely to notice). The taxicab option might enable Amazon to provide even faster delivery than it currently provides, including same-day service. It also might lower costs for shipping, which rose dramatically to 8.9 percent of Amazon’s sales last year.