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

- **Omnichannel Puts Retailers in the Red** (Chapters 3, 6 & 10)
- **Local Approach Works for Whole Foods** (Chapter 13)
- **Retailers Are Under Fire for Work Schedules** (Chapter 16)
- **Balance of Power Shifts in Groceries** (Chapters 2 & 13)
- **Run on Fun: Toys 'R Us Playing Customer Experience to Win Against Walmart, Amazon** (Chapters 5 & 18)
- **Convenience Can Be Emotional: Lessons from Walgreens CMO Sona Chawla** (Chapters 2 & 5)
- **Amazon, Google, and More Are Drawn to Home Services Market** (Chapter 18)
- **Stepping Back in Time to Re-Imagine the Future of Malls** (Chapter 7)
- **Retailers Duke It Out for Hispanic Shoppers’ Dollars** (Chapter 15)
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**Retail Tidbits**

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If you are interested in the text book please visit 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

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
Modern retailers need an omnichannel strategy to remain competitive. But can they afford it? According to a recent survey, only 16 percent of omnichannel retailers earn a profit on their operations, and 67 percent of them anticipate further rising costs.

The reasons for the lack of profitability are quite clear: Omnichannel operations increase the costs of handling, shipping, and decision making. For example, for each order received, the retailer needs to determine which channel to use to source it. Should it send an employee in the local store into the aisles to pick the item, pack it up, and ship it? Should it procure it from a centralized distribution center? Should it require the manufacturer to ship it directly to the customer? In addition, return handling becomes more challenging in an omnichannel setting, because retailers do not know where they will receive each return.

In response, the surveyed retailers plan to invest substantially in enhancing their omnichannel performance, including their logistics, transportation, and inventory capabilities. If retailers must create omnichannel environments to stay competitive, they also must engage in intelligence gathering and data analysis that can reveal the most efficient strategies and the most appropriate trade-offs to make in their operations.

Discussion Question:

Many believe that Internet retailing is less expensive than operating traditional brick-and-mortar stores. What expenses make omnichannel retailing more expensive?

The added expenses associated with omnichannel retailing include handling, shipping, logistics, and decision-making costs. Retailers need to coordinate across the various channels they host, which require more work, careful consideration, and investments of time and money than are necessary for a single-channel setting.
Local Approach Works for Whole Foods

Steve Rowan, Retail Wire, March 6, 2015

Use with Chapter 13, “Buying Merchandise”

Retailing research and theory offers a clear prescription: Localization is a good thing, enabling retailers to match the needs and preferences of the clientele who enter their stores on a regular basis. But a long-standing form of conventional wisdom also asserts that retailers gain economies of scale by stocking the same items in all their outlets. Such consistency also reassures customers that, whether they visit a Whole Foods in Nevada or New Hampshire, they can find some of their favorite products.

Yet at Whole Foods, the consistent product line is only a portion of the offerings in each store. Managers are responsible for selecting the local products and items that will appeal to their regional shoppers, as well as for customizing the look and feel of their individual stores. Such responsibilities can weigh heavy on a manager who has various other tasks to address as well. Furthermore, individual store managers may have less access to and ability to process vast amounts of customer data than a corporate entity might. A store manager who has not received extensive training in how to make assortment decisions thus could wind up relying on assumptions or heuristics that lead to inappropriate assortments, insufficient inventory, or poor product selections for consumers.

So why do it? The purpose of assigning these responsibilities to store managers is to make sure that each store has a local, homey feel. In Detroit for example, Whole Foods uses vinyl records to mark the aisles, emphasizing the Motown connection. Artistic graffiti covers the dairy department, and the products produced by a Detroit-area salsa company receive a prime location. Therefore, consumers sense that the store is their own, likely enhancing their loyalty and patronage to it.

Standardizing a product mix across a national chain thus might seem beneficial, in terms of the efficiency it provides in scale economies and limiting managers’ duties. But ultimately, people want to feel as if they are buying from a local provider, one that knows what they want, participates in their community, and provides a product mix designed just for them.

Discussion Question:

What are the advantages and disadvantages of developing localized assortments from the retailer’s perspective?

Advantages: Appeal to local market’s taste and needs, which increases loyalty, and in turn sales and profits.

Disadvantages: Who is going to make the assortment decisions? It will most likely be a store manager or assistant manager. The potential problems are:

a. The manager is not equipped with the technology to make informed buying decisions.
b. The manager is too busy “managing” the store to be an effective buyer.
c. The manager is not properly trained to be a buyer.
d. The manager may make assortment decisions based on inaccurate, incomplete information based on intuition and/or observation or conversations with relatively few customers.
Retailers Are Under Fire for Work Schedules


Use with Chapter 16, “Managing the Store”

In New York and several other states, laws in place require that employers provide their workers with advance notice of their schedules and pay them for a minimum of four hours, even if they send those workers home to limit their labor costs. But did you know that? It seems that few employees are aware of the rules, such that many employers might not be complying with the mandates. In noting this potential problem, the New York Attorney General Eric Schneiderman issued cautionary letters to dozens of large retailers, asking for more information about how they handle their on-call staffing practices.

The issue has become more prominent with the expansion of immediate connectivity. It is easy for managers to send quick text messages to an employee, moments before he or she is scheduled to start a shift, and tell that worker that his or her labor is not needed for the day. Other companies establish an on-call system that requires workers to initiate the contact, shortly before their scheduled shift, to find out if they are needed or not. Such moves can benefit the company, because if business is slow or the schedule is overstaffed, it can reduce its labor costs by telling some workers to stay home.

For the workers though, these last minute changes are expensive and frustrating. Especially for workers with families, who have arranged for childcare or other logistics, the loss of a shift means that they have wasted efforts. In addition, it means the loss of that day’s wages, which may be severely detrimental for many retailer workers.

The retail companies that received the warning letters were well-known names: Target, Gap, Abercrombie & Fitch, Ann, Burlington, Crocs, JCPenney, J. Crew, L Brands, Sears, TJX, Urban Outfitters, and Williams-Sonoma. Several of the companies responded immediately to the letters, asserting that they do not require workers to function on-call, nor do they cancel shifts at the last minute. For example, Target noted that it uploads workers’ schedules to the company website at least 10 days prior to each shift.

Although the attorney general has not brought any charges against any of these companies, the letters also requested that they provide information about their staffing practices. After collecting this information, Schneiderman’s office is likely to make the determination about whether any retail employers should be prosecuted.

These questions are particularly prominent for retailers because of their vast reliance on less skilled, hourly workers, whose efforts can be limited or extended relatively easily. They also have gained some salience in the modern labor framework, where critics increasingly are demanding improved working conditions. The drive for an increase in the minimum wage is closely related to questions about scheduling. In both cases, the goal must be to find a way to compensate employees fairly for their work, without putting the retailer at a competitive disadvantage.

Discussion Questions:

What has the New York attorney general done with regard to retailer staffing practices?

The attorney general has sent letters to a range of retailers, suggesting that they might be in violation of scheduling laws and requesting that they provide his office with more information about how they make staffing choices. These letters serve as a clear warning that employers need to make sure they are in compliance with state laws.
On which side would you be, the retailers or the employees? Defend your position.

It would be nice to agree with both sides! That is, employees who feel secure and believe that their employer wants to enable them to make a living wage seemingly should be more willing to take a shortened shift on days when it is necessary, which would benefit both sides. However, that goal might be too idealistic. Because the laws already in place make the requirements clear—employers must give employees advance notice of their schedules and pay them for a minimum of four hours for any scheduled shift—I have to come down more on the side of employees. There are laws in place to protect them; just because workers might not be aware of the laws does not mean that employers can break them.
Balance of Power Shifts in Groceries


In the grocery supply chain, the dish has run away with the spoon, leaving the fork scrambling to match their combined demands. That is, grocery retailers seemingly have teamed up with their customers to demand more organic, small batch, and local products. Large manufacturers, especially the massive brands that have long dominated grocery store shelves, are the odd ones out, and smaller, tailored food producers have been only too happy to step into the void.

Take Amy’s Kitchen as an example. Since its inception in 1988, the organic food brand has sold frozen and packaged meals, such as organic enchiladas and a natural macaroni and cheese offering at small retailers. But in recent years, as consumers have demanded more and more natural and organic options, major national retail chains have approached Amy’s as well. To be able to supply national chains such as Piggly Wiggly, Amy’s expanded to a second production facility—which it purchased, rather ironically, from H.J. Heinz.

This transfer is symbolic. Whereas once the national brands like Heinz and Kraft could count on receiving preferential treatment and the best placement from their retail partners, those relationships are changing. Retailers apparently have determined that their first priority needs to be stocking what consumers want to buy, not what their suppliers want to place in their stores. In some cases, the retailers even proactively seek out alternative options that might appeal to their shoppers. For example, Kroger worked with a small, local pancake mix manufacturer from Colorado to develop its product and packaging. After allowing FlapJacked to test various marketing strategies and flavors in its Colorado-area stores, Kroger added the products to more than 500 of its stores across the country.

Of course, the big manufacturers are not just ignoring these trends. Many well-known brands have introduced organic or all-natural product lines, including Campbell’s organic soups and Kellogg’s Origins granola. But the size and long-standing reputation of these companies—one among their most valuable assets—may be liabilities in this altered market space. As one observer noted, no one is ever going to accept the notion of “organic Velveeta.”

In contrast, the small companies are little known, which means they can start telling their brand stories to a fresh audience and set the terms of their reputation from the start. They also can choose whether to hold firm to their outsider status. Annie’s Homegrown, another organic, packaged food manufacturer, recently sold to General Mills. But Amy’s insists it will never go that route, because it wants to maintain control over its production and priorities. As long as its retail partners are in its corner, it appears likely to be able to continue to do so, no matter which of the big food brands come calling.

Discussion Question:

How and why are assortments changing in food retailing?

Grocery assortments are featuring far more small, organic, and local brands, rather than conventional, national brand products. The reason is relatively straightforward: Consumers are demanding these alternatives, and retailers are responding to that demand by buying more from diverse manufacturers but less from their traditional, big food partners.
Run on Fun: Toys ‘R Us Playing Customer Experience to Win Against Walmart, Amazon

Bryan Pearson, Forbes, April 16, 2015

Toys ‘R Us Transformation to be Built on Fun

George Anderson, Retail Wire, April 17, 2015

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

The TRU Transformation initiative, which Toys ‘R Us has undertaken in its effort to shore up sagging sales and redefine its image in the toy market, has one primary goal: Make stores fun. Achieving this goal will involve several changes.

In stores, the transformed space will feature more play areas, designed to attract young consumers to the experience of a toy store. Interactive media throughout the new stores will aim to appeal to both children and their parents. Furthermore, staffers will be equipped with handheld inventory devices so that customers can obtain detailed information from any employee they encounter.

What they won’t do is attempt to compete on price. With the recognition that consumers can nearly always find lower prices at competitors such as Walmart or Amazon—both of which can use toys as loss leaders and make up for any revenue losses with sales in other product areas—the transformed Toys ‘R Us will not seek to be the low price option.

To overcome the price differential, in addition to its in-store experience plans, Toys ‘R Us will expand its loyalty and rewards program. In an effort to shift customers’ attention from prices, it also plans to reduce its promotional offers.

Still, the transformation has no guarantees of success. External factors, such as declining birth rates, challenge the toy market overall. And for many parents, the confidence provided by online retailers, which guarantee the delivery of the latest must-have toy, whether an Elsa Frozen doll or an Avengers playset, may be irresistible. To achieve its goals, Toys ‘R Us needs to make sure it can get shoppers to its transformed stores, so that they can experience the fun and be transformed into loyal shoppers themselves.

Discussion Questions:

What is Toys ‘R Us’s new strategy?

The toy company is embracing an experience model, in which stores are fun places to visit, rather than warehouse-like outlets to find a deal on toys.
On a scale of 1 to 10, with 1 being “run of the mill” and 10 being “revolutionary,” how would you rate this strategy?

About a 5. It is very new for Toys ‘R Us, but the idea of appealing to consumers by offering them a fun experience is not particularly radical. In fact, many independent and smaller toy stores already encourage children to play while in their stores. But the application of this idea in a big box setting is not something you see everyday.

Realizing that most of you are not in Toys ‘R Us’s target market, would this new strategy cause you to shop there rather than at Walmart or Amazon?

If my nieces or nephews were visiting me from out of town, and I had run out of things to do with them, knowing that Toys ‘R Us would give us something fun to do might lead me to shop there. However, if I was just buying birthday gifts that I was going to send them, I likely would rely on an online retailer.

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Convenience Can Be Emotional: Lessons from Walgreens CMO Sona Chawla

Bridget Brennan, Forbes, April 7, 2015

Use with Chapter 2, “Types of Retailers” and Chapter 5, “Retail Market Strategy”

At Walgreens, convenience is key. But as Walgreens’ chief marketing officer explains, the meaning of convenience is both more expansive and more detailed than it might seem at first glance. Certainly, the drugstore chain wants to place its stores in locations that are easy for consumers to visit. Beyond that, three pertinent lessons, stemming from its efforts to enhance convenience for its customers (most of whom are women), help define its success.

First, technology and its applications are absolute necessities. Rather than being cold, analytical tools though, Walgreens uses its technology to connect more closely with shoppers. For example, for time-pressed consumers, remembering to refill and pick up a prescription can be a stressful, frustrating task. To make this chore more convenient, and accordingly make customers happier and less stressed, Walgreens offers advanced technology. Customers may sign up to receive text or e-mail reminders to refill a medication, as well as down-to-the-hour reminders to take their prescribed pills. They can scan their refillable prescription label on their smartphones and order a refill in less than 30 seconds, and they can initiate a remote chat with a pharmacist at any time of day. Such technological capabilities actually provide an emotional benefit, such that the shopper feels supported and more closely connected to the drugstore.

Second, the mirror image of enhancing convenience is reducing friction, especially in stores. Noting that some customers struggled to lug heavy baskets filled with purchases through the aisles, Walgreens developed small rolling baskets that shoppers can easily move across the store footprint. Because Walgreens are relatively small (averaging 14,000 square feet), the baskets are not traditional shopping carts but rather dedicated, specific tools to make shopping more convenient for customers.

Third, convenience means giving customers the exact amount of help they want, when and where they want it. For quick trippers, Walgreens wants store employees to let them find their desired items quickly and on their own, because that defines convenience for them. For shoppers in need of assistance, whether that means help finding the wrapping paper aisle or gathering in-depth information about a prescription, Walgreens wants to make sure store employees are readily available and knowledgeable. Therefore, it regards employee training as a central element of its customer convenience capabilities.

Such foundational yet innovative methods help explain why Walgreens has enjoyed a 114-year history, ranks as the largest drugstore chain in the United States, and makes it seemingly impossible for customers to leave a store without having purchased far more than they planned to grab on that trip.

Discussion Question

What makes Walgreens so good?

Walgreens has a consistent goal that it applies in all areas: increase customer convenience. It understands convenience broadly, such that it seeks to connect with shoppers and enable them to fulfill their needs in a variety of ways. With this approach, it meets both functional and hedonic needs, leading customers to appreciate its offerings and display loyalty in their shopping behaviors.

BACK
Amazon, Google, and More Are Drawn to Home Services Market


Use with Chapter 18, “Customer Service”

Approximately 85 million customers buy items from Amazon that require some sort of installation or construction, from large screen televisions to children’s bicycles. If a busy consumer shops on Amazon mainly because of the convenience it offers, is she or he likely to have the time and patience to install the product?

The gap implied by this question has led to the emergence of online home services markets. Both Amazon and Google have developed capabilities that allow customers to click a link to receive quotes for services from local professionals. The purchase of a big screen television thus prompts a query about whether the buyer wants someone to hang it on the wall. If the customer expresses interest, the system provides a list of service providers, as well as clear, detailed quotes for the price of the service.

Whereas Amazon’s Home Services marketplace is integrated into its main site, Google is still experimenting with ways to join the competition. It recently invested heavily in Thumbtack, a platform that allows customers to post their jobs, then receive bids for those jobs from service providers that have registered with the site. For Google, this expansion represents an effort to leverage its position as the starting point of so many searches for home service providers. Dog owners who need someone to come by once a day to take Fido for a walk often start by typing their location and “dog walker” into Google’s search engine, but then they likely move on to another site to review the options and solicit service offers. If Google could find a way to be the one-stop-shop for such service transactions, its reach would expand greatly.

Amazon similarly hopes to extend its reach, and it has an advantage in that effort. That is, people already visit the retail site for all manner of products. Amazon believes it can readily convince them to consider it first as a source of services too. Accordingly, it already has a roster of providers offering about 700 types of services to customers, from the conventional to the obscure (just what does a “silk aerialist” do?). Just as it has with products, it will seek to offer the widest selection possible, ensure speedy delivery, and provide highly competitive prices.

For service providers, joining the ranks of Amazon or Google service providers promises both benefits and challenges. Local plumbers, lawn care services, and tile installers are likely to increase their business if they appear on these sites. However, they also face greater price competition, such that they likely need to underbid all their local competitors to earn the customer’s business.

Although other review sites, such as Angie’s List or Yelp, already offer a single source of a range of service provider options, sourcing these purchases from a well-known name in retail offers some added benefits. In particular, people can sign up for a needed service during the very occasion during which they purchase the item; without pausing, they can buy a new stereo system and schedule its installation. In addition, Amazon offers the reassurance of its name and reputation. Consumers can feel safe, knowing that it has registered the service providers on its site. Explaining how she overcame any reservations about buying an experiential service through Amazon, one first-time service buyer noted, “I thought, O.K., Amazon stands behind this.”
Discussion Questions

What are the advantages of going to Amazon or Google for home services?
For consumers, the advantages include convenience, because they can access everything in one place, and with at least some guarantee of quality. Neither of these companies would want their brands to be tarnished by an association with an unethical service provider, so they likely perform some of the assessment of the provider for the customer. For home service providers, it means greater exposure to customers who are clearly ready to buy.

What will be the future of home service providers?
It seems possible that their reach and offers will expand ever further. With the assistance of online sites, service providers might be able to innovate new home services to offer to a niche market of consumers who can find them on the well-known platforms.
Stepping Back in Time to Re-Imagine the Future of Malls

Bernice Hurst, Retail Wire, April 17, 2015

Use with Chapter 7, “Retail Locations”

After a good run of several decades, the traditional mall appears to be giving way to a different concept—though calling it new might be a bit misleading, considering that it harksens back to even older notions of communities and downtowns.

The shift is the result of several converging trends. Whereas the mid-twentieth century saw people fleeing urban locations for suburbs, today many people seek the convenience and entertainment aspects offered by downtown locations. If they are going to drive to a mall, they want a similarly expansive offer that gives them an opportunity for entertainment and socializing, rather than just shopping. Accordingly, the new versions tend to be referred to by names such as “lifestyle centers” or “town centers,” reflecting their role as a replacement of a traditional neighborhood focus or downtown location.

The modern mall thus looks more like the Main Streets of yore, with service providers (e.g., barbers, dog groomers, dry cleaning) intermingled with retailers selling a range of goods, from clothing to food to children’s train rides. Many of these facilities feature at least some outdoor elements, including sidewalks to facilitate strolling, as well as attractive installations such as fountains that allow people to enjoy nice weather when it is available and interact with others.

Discussion Question:

Where will people shop in the future?

Many people will want to shop in their downtown Main Streets. If those are not readily accessible, they want to shop in versions of malls that feel like small town centers, offering a range of products, services, and experiences.

How is this similar to or dissimilar from the past?

It represents a shift from the recent past, when suburban shoppers flocked to enclosed malls that focused almost exclusively on selling retail products. However, it constitutes a bit of a return to the past; prior to the arrival of the car culture, people had to shop downtown, because they needed to walk or use public transportation. Thus they needed retail services in close proximity to their homes. Even if the new malls are more distant, they mimic the feeling of a local neighborhood.

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BACK
Retailers Duke It Out for Hispanic Shoppers’ Dollars

Ashley Rodriguez, Advertising Age, April 6, 2015

Use with Chapter 15, “Retail Communications Mix”

In the United States, the cohort of Hispanic consumers has emerged as one of the most prominent, growing, and appealing targets for marketers, and perhaps especially for retail brands that span the nation. Three familiar brands—Target, JCPenney, and Macy’s—are taking some similar approaches to appeal to Hispanic shoppers, as well as adding some unique elements to set their image apart.

For example, all three chains have expanded the amount of in-store signage that appears in both English and Spanish. They also have translated some of their advertising campaigns into Spanish, and all three retailers seek to connect with Hispanic shoppers through social media.

Some of the differences are instructive too. Rather than simply translating existing English-language advertising into Spanish, Target has developed specific ads to appeal to Hispanic consumers. The advertising campaign, entitled “Sin Traducción” (“Without Translation”) highlights terms without direct translations into English and references that only Hispanic consumers are likely to understand. This campaign, combined with other communications devoted to Hispanic shoppers, account for $51.5 million of Target’s advertising budget, which is equivalent to approximately 3 percent of its total spending.

At JCPenney, the director of multicultural marketing asserted that Latina women are the primary targets of its assortment and merchandising mix. To support these offers, JCPenney launched an advertising blitz tied to the World Cup, which prompted notable improvements in consumers’ perceptions of the brand.

For Macy’s, a dedicated line, with the imprint of the singer Thalia Sodi, is the largest exclusive collection that it carries. Both the merchandising and the related marketing were designed expressly with the goal of appealing to Hispanic women. Macy’s spends approximately $36.6 million on advertising in Hispanic-oriented media, including live-streamed fashion shows and other social media tactics.

The reasons for these moves are unsurprising: As the Hispanic population in the United States continues to grow, so does the buying power of this vast and diverse demographic group. According to some estimates, it has reached $1.5 trillion—making investments of a few million dollars to appeal to these shoppers seem quite reasonable.

Discussion Questions

Why are retailers targeting the Hispanic market?
Mostly because it is large, growing, and ready to spend money with retailers that provide appealing, compelling offers. This market shows great promise for increasing sales and revenue.

What are retailers doing to appeal to this market?
Many retailers offer dual language advertising or in-store signage. The more proactive retailers also design product lines or advertising campaigns expressly to appeal to Hispanic consumers. In addition, retailers are trying to meet Hispanic consumers where they live, whether by working with popular singers, linking to popular sporting events, or appearing on popular social media.
Was Service Merchandise Ahead of Its Time?

Tom Ryan, *Retail Wire*, April 6, 2015

Use with Chapter 2, “Types of Retailers,” and Chapter 5, “Retail Market Strategy”

Many readers may be too young to remember Service Merchandise, a chain of approximately 400 retail stores that disappeared around the turn of the century. The product assortment was similar to what consumers might find in any general merchandise retailer, but the inventory management set it apart.

Single items of each product lined the comfortable aisles. To make a purchase, customers filled out a form as they browsed, noting the number, colors, and sizes of each purchase they wanted to make. At the back of the store, they turned in their order sheets, which employees used to collect all the desired items from the stockroom. The employees loaded the purchases onto a conveyor belt, which brought everything right to the customer. While waiting, customers also could browse the Service Merchandise catalog and add additional items to their basket.

The appeal of this model was that it avoided requiring customers to carry heavy items through the stores. All inventory could be stocked in back rooms, without the need to worry about attractive presentations or sufficient spacing. In addition, the approach helped limit theft.

But Service Merchandise stores failed to compete sufficiently well against the emergence of big box retailers. So why are we talking about them now? According to some observers, the problem of Service Merchandise was not that its concept was poor but that it was too innovative, too early. As evidence, these observers point to the expanding numbers of showroom-type stores being opened by various types of retailers.

A prime example is Apple Stores, where all the high-tech devices are stores in back, with only a few versions of the computers and tablets available for consumers to peruse in the main store. Several brands that started as e-tailers also are experimenting with one or a few showrooms, to enable customers to interact with their product line in person. Examples include the clothing retailer Bonobos and the eyeglasses innovator Warby Parker. Amazon’s new pick-up stores for online orders might mimic some elements of the Service Merchandise model as well, to enhance efficiency and positive interactions with customers.

**Discussion Questions**

**What was Service Merchandise?**

*Service Merchandise was a general merchandise retailer with a unique inventory and in-store delivery approach.*

**Why did it go under?**

*Although the conventional wisdom has been that it failed because of competition from the big box retailers, some observers argue that it might simply have been ahead of its time, such that customers were not ready for its innovative approach.*
Is the Service Merchandise retail format being reinvented by modern retailers?

In some ways, yes. When retailers put just a few items out on display but promise to deliver the chosen products to customers, either on the spot or with rapid delivery offers, it mimics the Service Merchandise concept.

Do you believe the Service Merchandise retail format will be successful today? Why or why not?

Just using the exact same format probably would not work, especially because modern consumers are unlikely to exhibit the patience needed to wait for their purchases to be picked and sent down the conveyor belt. However, some elements of the format might be instructive for retailers. In particular, its ability to stock a lot of merchandise but not waste valuable store space to do so was very promising.
Retail Tidbits

Office Depot, Walmart Named Best Companies for Women
Gina Acosta, Retailing Today, April 17, 2015
Each year, the Women’s Business Enterprise National Council releases its list of the companies that encourage female-owned businesses to initiate, survive, and prosper. This year, the list includes several well-known retailers, such as Target, Walmart, Office Depot, and CVS Health. For example, to earn its ranking, Office Depot actively seeks out suppliers led or owned by historically underrepresented populations, including women, minorities, members of LBGT communities, people with disabilities, and veterans. In so doing, it helps these companies increase their sales, which should ensure a stronger competitive advantage—for both the supplier and its retail partner—over time.

Could Amazon’s Brick-and-Mortar Invention Eliminate Checkout Lines?
Matthew Stern, Retail Wire, April 3, 2015
A recently unearthed patent application by Amazon gives a good hint of where the retail giant plans to innovate next. The patent shows a linked system, featuring RFID, facial recognition, and tracking software, that would enable customers to walk into a store, take what they want, and receive a bill for the items they take without ever moving through a queue or checkout line. The software system seemingly would use multiple sources to identify each customer accurately. It also might support an expansion of the lending economy, such that shoppers could borrow some items for some period of time, then return them and pay only for the time they had the items in their possession. This innovation comes quick on the heels of Amazon’s first brick-and-mortar store, which has opened on the campus of Purdue University and which enables students to pick up their online purchases, as well as drop off their returns.

McDonald’s Joins Trend in Raising Pay
As of July 1, 2015, employees of corporate-owned McDonald’s restaurants will be making $1 more hourly. The move comes soon after Walmart announced its plans to increase the minimum wage for its employees. However, because of McDonald’s heavy reliance on a franchise system, the updated wages apply to only about 10 percent of its frontline employees, in that the corporation has not mandated that franchisees increase the wages for their employees to match the corporate rate. The current minimum wage it pays is $9.01; that rate will increase to $9.90 in July, then rise above the $10 mark by 2016. Critics contend that even these increases fail to reach a living wage for full-time employees. But according to McDonald’s, its choice was motivated less by criticism and more by its desire to ensure a motivated, dedicated workforce. Beyond the pay raises, it has announced an initiative to grant full-time workers paid vacation time after they have worked for the restaurant chain for at least a year. It also will offer financial assistance to all U.S. workers—whether they are employed by a franchisee or the corporation—who obtain their high school diploma through an online course and up to $700 to help them pay to complete training and college-level courses.

Chris Morran, Consumerist, April 2, 2015
Despite its poor satisfaction rankings, Walmart continues to be the most widely chosen supermarket chain. Among a review of 68 different chains, Walmart scored worst on customer satisfaction, tied for last place with Waldbaum’s and A&P. It also received the worst scores on the specific ratings of its produce, meat, and bakery quality; staff courtesy; and cleanliness. Despite these scores though, approximately 10 percent of the shoppers surveyed identified Walmart as their primary grocery source, seemingly because of its low prices. On the high end of the scale, Wegmans scored the highest marks in every category, and Publix achieved strong results. For organic produce in particular, shoppers recommended Trader Joe’s.
Apple to Push Customers from Its Stores to Its Site
Matthew Stern, Retail Wire, April 10, 2015
As Apple continues its evolution, from upstart innovator to one of the most well-established and valuable brands in the world, some of its goals have shifted as well. Once, inducing hundreds or thousands of customers to line up outside Apple Stores for the latest product introduction seemed like a guarantee of free publicity. Today though, satisfying customers by making sure they receive the products they order appears to offer a more effective and sustainable route to success. Therefore, in a recently leaked memo, an Apple executive encouraged employees to push consumers to order their Apple Watches and the latest iteration of the MacBook online and receive the products at their homes. Even if they come in to the stores, consumers will likely receive a suggestion that they place their orders on Apple’s website. Long queues and competition for the first models are traits of fads. It appears Apple’s revised strategy instead is to ensure that its appeal persists for the long haul.