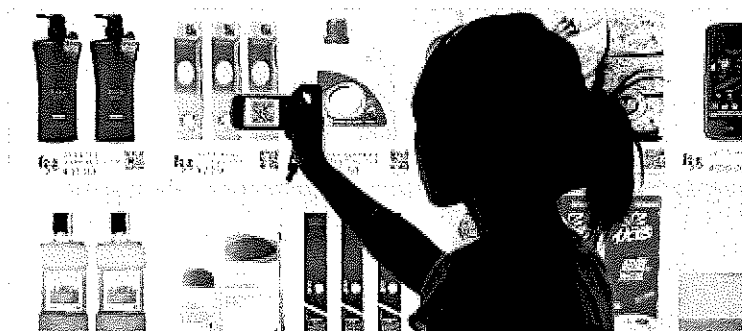


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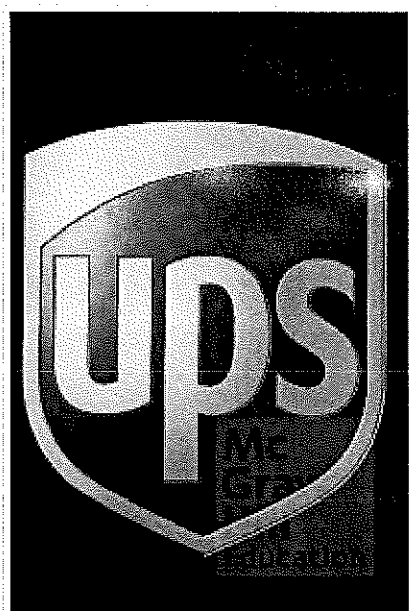
Retail Tidbit: Will UPS's Black Friday Delivery Surcharge Have Retailers Seeing Red?

POSTED BY RETAILING MANAGEMENT IN RETAIL TIDBITS

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Black Friday, Retail
Tidbit, UPS



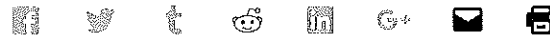
Shipping last-minute presents is going to be a little more expensive this coming holiday season. In a recent announcement, UPS noted that it would raise its shipping rates for packages shipped during the last two weeks of November, as well as for the week prior to Christmas. These dates coincide with prime shopping season, such as the day after Thanksgiving, or Black Friday. Retailers that encourage consumers to purchase on that date, or else at the last minute before the big gift-giving occasion, may find that their profits are reduced somewhat by the greater

expenses they must incur to be able to get their products to consumers on

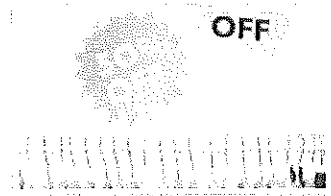
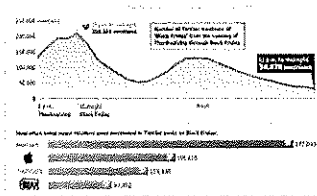
time. But UPS notes that during this busy season, it needs to nearly double its workforce and logistics capabilities, so the price increase simply reflects the greater demands on it. It also asserts that these bumps in the prices for its critical services—an additional 27 cents per package for ground shipping and 81 cents for next-day air—are not overly burdensome. For larger retailers, this assessment is likely true. But particularly for small, niche, online retailers that heavily depend on holiday sales, such cost increases might make the difference between happy holidays and an unprofitable lump of coal.

Source: George Anderson, Retail Wire, June 20, 2017

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Deep in the Malls of Texas, a Vision of Shopping's Future

POSTED BY RETAILING MANAGEMENT IN CHAPTER 07: RETAIL LOCATIONS [≈ LEAVE A COMMENT](#)

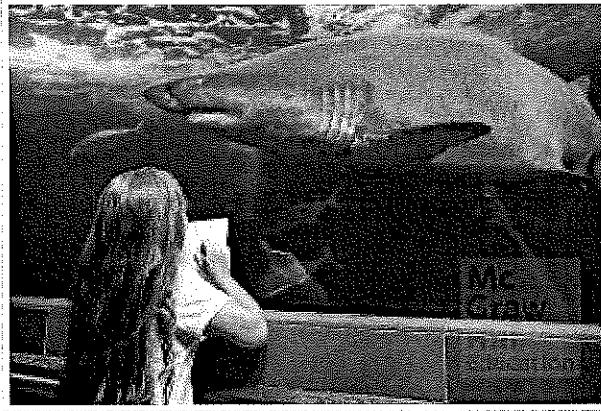
Tags

Malls, Retail Locations

The shopping mall industry is in the midst of a “seismic shift” that is shaping up to be as destructive as your typical earthquake. As large, anchor department stores shutter their locations and focus on a greater online presence, mall landlords struggle to fill available retail space. The result can leave a mall abandoned or with sections deliberately shut down, to focus on the few retailers that struggle to remain in business. Many in the retail industry thus wonder about what will be next for these large, abandoned retail spaces. Developers in Texas think they may have the answer.

In North Dallas, a traditional mall complex has been cleared away, as part of a new \$3.5 billion development that includes restaurants, offices, and housing options. The developer hopes the entertainment and employment options will lure patrons to the previously abandoned space—and then that they might like it well enough to make their homes there.

Grapevine Mills in North Texas is a mall property that similarly has shifted away from simply hosting retail stores. It now includes an aquarium, a Legoland, a bowling alley, and a sports complex. The reimagined mall cites



an “experiential” formula as the way for such properties to move forward in the shifting economy. The idea is that if they can attract families to the location to experience fun dining and entertainment options, those consumers will stick around to shop in retail

stores too.

In Austin, Texas, the Highland Mall is getting creative about how to best use abandoned space too. As part of a \$900 million public-private initiative, some of the old mall will now be used as a satellite campus for Austin Community College. Currently the repurposed facility supports 6,000 students each semester, and when the project is complete, this number will increase to 20,000 students.

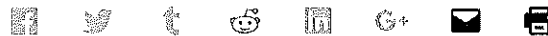
The golden age of retail thus might not ever return for malls, but with some creative thinking, these spaces can be repurposed to appeal better to the changing tastes of the American consumer. The end result ultimately might be even more profitable. They just have to dream big—like they do in Texas!

Discussion Question:

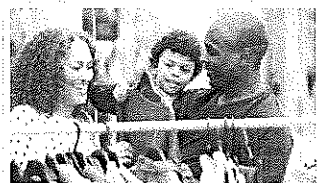
1. How are mall developers repurposing failing malls?

Source: David Montgomery, *The New York Times*, June 20, 2017

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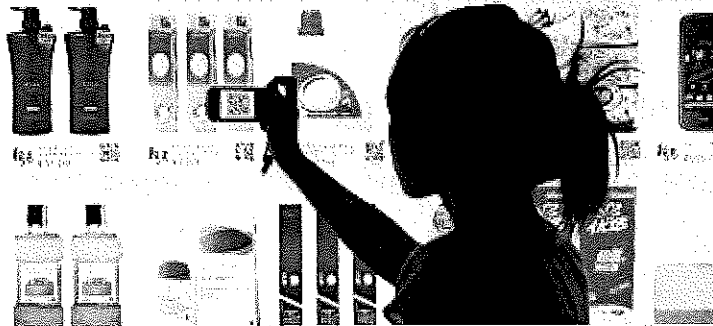


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Will Struggling Retailers Find New Lives as Pure Play E-tailers?

POSTED BY RETAILING MANAGEMENT IN CHAPTER 03: MULTICHANNEL RETAILING

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Tags

E-tailers, Multichannel Retailing



What is the best way forward in today's changing retail environment? That is the question that many brands are asking. Some online-only retailers, such as Amazon, are rolling out ambitious plans to open new brick-and-mortar

locations; other popular retailers are moving out of malls and into the e-commerce sphere.

Two well-known clothing brands, Bebe and Kenneth Cole, recently announced that they would be closing most or all of their physical U.S. locations to focus instead on their online presence and international stores. This announcement will affect more than 170 locations in the United States;

it also will be yet another blow to shopping malls, which already have been suffered through the exits of other popular chains, such as The Limited, Wet Seal, and BCBG Max Azria.

For many brands, shedding the brick-and-mortar division has obvious benefits. Savings can be immediate, by eliminating rental fees and reducing the number of employees. However, there are other challenges that these brands will face when they attempt to compete solely as an e-tailer.

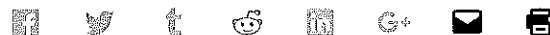
First, online giant Amazon has conditioned consumers to expect free shipping and fast delivery options, and these benefits often cannot be replicated by other brands in a cost-effective manner. Second, customers expect free or low-cost return policies, so that they can return items if the size is wrong or the garment has flaws. These costs can largely offset or even exceed the cost that some retailers were paying in rental fees, suggesting that an online-only strategy may not the ultimate cost-saving solution it initially seemed to be. Third, customer brand loyalty and finding a particular e-commerce niche are keys to long-term success as an e-tailer, so these brands will need to work hard to ensure their clothing can still hang with the competition.

Discussion Questions:

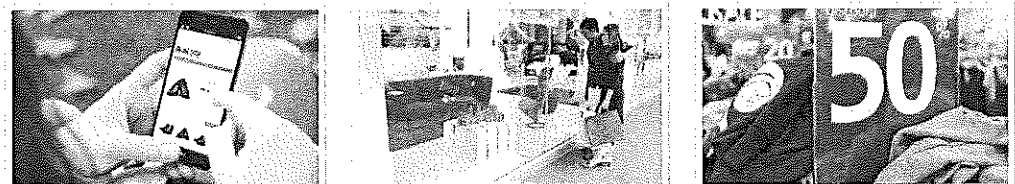
1. Which mall retailers are closing their stores in favor of online-only?
2. Why have they closed their stores?
3. What mall stores, if any, do you think may follow this trend?
4. How has your shopping behavior changed in the last two years regarding mall versus online?

Source: Matthew Stern, Retail Wire, March 24, 2017

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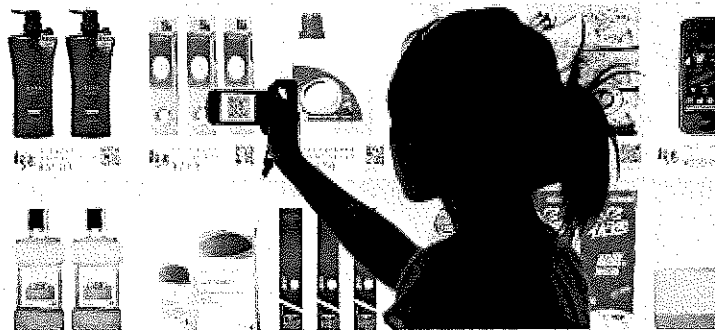


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A Test of Loyalty at Macy's

POSTED BY RETAILING MANAGEMENT IN CHAPTER 11: CUSTOMER RELATIONSHIP MANAGEMENT

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Tags

Customer Relationship Management, Loyalty, Macy's



Disappointed with the performance of its existing credit card and in-store loyalty programs, Macy's is planning to roll out a new, improved, and streamlined loyalty program in late 2017. The retailer hopes that this action will help encourage brand loyalty and ultimately revive the

struggling chain. Recently, the company discovered that only 9 percent of its customers currently account for 46 percent of its sales, so it is clear that keeping loyal customers interested in coming back again and again can be one ingredient in the recipe for future success.

Loyalty programs generally work best when they offer a valued perk to members. Amazon's Prime service offers its members free shipping options.

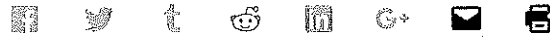
Starbucks's rewards program offers a convenient way to order and pay from a smartphone, then rewards frequent drinkers with a free cup of coffee after they earn a certain number of points. Retail insiders hope that Macy's will take its cues from these other successful brands as it redevelops its own loyalty program. Offering services such as free shipping on online purchases, holiday gift wrapping, and tailoring could potentially help woo customers to make Macy's their first-stop shopping destination and then keep them coming back to spend more.

Discussion Question:

1. What makes some loyalty programs successful, while others are not? Provide examples.
2. What is Macy's doing to improve its loyalty program?

Source: Miriam Gottfried, The Wall Street Journal, June 15, 2017

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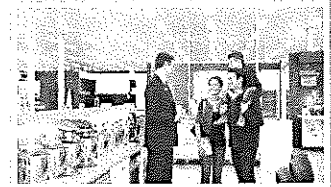
Why Luxury Retailers Should Watch Whole Foods' New Loyalty Rewards Pilot

February 26, 2015
In "Chapter 11: Customer Relationship Management"



Will Third Time Be the Charm as Grocer Changes Loyalty Program Again?

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GALLERY

How to Survive the Retail Crisis: A Master Class from T.J. Maxx

POSTED BY RETAILING MANAGEMENT IN CHAPTER 02: TYPES OF RETAILERS

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T.J. Maxx, Types of Retailers

For retailers that rely solely or very heavily on physical store locations, the future looks increasingly bleak. Many well-known chains have reduced the number of their physical store locations; some even have chosen to shutter their brick-and-mortar locations for good and move solely to e-commerce platforms. Still other brands have declared bankruptcy and exited the market or been sold to competitors. And consumers continue to shift toward online shopping, seeking its convenience and lower prices.

Despite many ideas about how to retailers might pivot and best meet the changing demands of consumers, few have found the solution. This claim is best exemplified by an exception: The discount retailer TJX Co., owner of brands such as T.J. Maxx, Home Goods, and Marshalls, seemingly might have had the recipe for success all along. Sales at this retailer's stores have risen for 33 straight quarters, and as revenue and profits continue to climb, the brand plans to open an additional 250 stores in 2017.



What's the secret? Turns out that TJX Co.'s business model is the key. Since the 1970s, TJX Co. has focused on offering brand name goods at reduced prices. The store's merchandise managers and corporate buyers are empowered to order limited quantities of

products when a good buy becomes available, resulting in a diverse offering of merchandise that constantly shifts. From soup to swimsuits, the inventory can change based on available supply, current trends, or lucky finds. This practice lures bargain hunters to the store to partake in the ever-changing treasure hunt, and when a good deal appears, shoppers know they must buy now, before the product is gone. There is no incentive to wait: The product is already discounted, and TJX Co. does not use sales or coupons to drive sales. Furthermore, at TJX Co.'s locations, a strict "door to floor within 24" policy ensures that the carefully selected inventory has no time to collect dust. These retailers sell merchandise within 25 days on average—far less than the 100 day timeline routinely exhibited by other department stores such as Macy's and Kohl's.

In addition, TJX Co.'s unique inventory allows the retailer to shift easily, from clothes to shoes to housewares, then back again, depending on sales performance and product availability. Unlike a traditional retailer (e.g., J. Crew), which only can stock its own line's fall, winter, or spring options, regardless of performance, TJX Co. can move underperforming items to the clearance rack and put something new in its place. The store designs accordingly are intentionally flexible in terms of the space designated for each department. If one season sees an increase in the number of jackets received, space from underwear and swimsuits can easily be reallocated.

One of the key results of this mix of low-cost finds and flexible inventory is that consumers visit a TJX Co. retailer on average seven times a year, and those shoppers typically make a purchase at each visit. Traditional department stores find that consumers visit only four times a year, and those shoppers tend to purchase only about one-third of the time. The only area that TJX Co. fails to compete (or beat) traditional department store retailers is in the e-commerce space. Currently, only 1 percent of brand revenue comes from TJX Co.'s website sales. However, with the continued

success experienced by its physical locations, the retailer is not too concerned with finding the recipe for success online. It likely will stick with what has always worked.

Discussion Questions:

1. What type of retailers are TJ Maxx and Marshall's?
2. Why are they so successful?

Source: Suzanne Kapner, The Wall Street Journal, June 20, 2017

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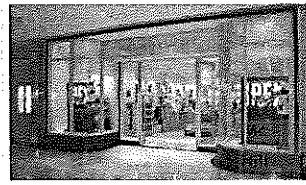


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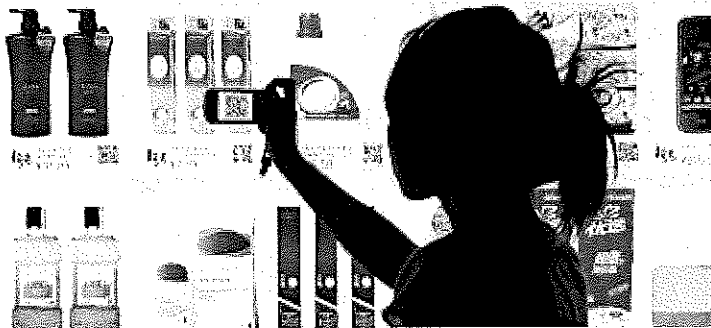
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The Whole Foods–Amazon Deal

POSTED BY RETAILING MANAGEMENT IN CHAPTER 03: MULTICHANNEL RETAILING, CHAPTER 05: RETAIL MARKET STRATEGY

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Tags

Amazon, Multichannel Retailing, Retail Market Strategy, Whole Foods

Amazon.com has redefined all aspects of the retail market. The e-commerce giant’s online presence has forced many brick-and-mortar stores to close locations and move their own operations online to compete. So why would the tech-savvy giant choose to purchase Whole Food Markets Inc., an upscale grocer with 460 retail store locations?

There are a few answers, and “data” is predominant among them. Although Amazon has a firm and enviable grip on how consumers shop online, it struggles to predict consumer behavior in physical store locations. Thus far, its tentative efforts to enter the grocery market, such as its delayed grab-and-go concept store in Seattle and struggling Amazon Pantry service, have remained rare missteps for the company. The purchase of Whole Foods—with its own successful track record of creating and fostering customer loyalty—could provide the answer.

In particular, the consumer data that Amazon will obtain from Whole Foods offer the promise of enhancing, developing, and supporting its newly extended brand. First, Whole Foods will provide Amazon with information about how shoppers behave in physical stores. Everything from impulse



purchases to traffic flow patterns will provide valuable insights to Amazon as it seeks to enhance sales at its own brick-and-mortar bookstores and planned grab-and-go convenience stores. As a bonus, 60 percent of Whole Foods shoppers also currently

subscribe to Amazon's Prime service, so Amazon already knows that Whole Foods customers represent a viable target segment, displaying the needs and behaviors that shoppers who are in its target market embody.

Second, Whole Foods has successfully built a wide-ranging private-label brand. This experience and expertise will help Amazon better understand how to grow its own private-label brand successfully. It currently produces mostly staples, such as batteries, baby wipes, and computer paper, but there clearly is room for Amazon to leverage its new retail data to expand these offerings.

Third, the new physical store platform will allow Amazon to test a variety of new ideas to see what works and what does not. For example, acquiring Whole Foods means that Amazon gains a space and means to experiment with new forms of payment, such as expanding the use of its Amazon Pay service. The results of these experiments should enable Amazon to devise new ways to encourage greater adoption of this service or any subsequently developed easy pay service—a development that would lead to an even greater stockpile of data.

Ultimately though, the \$13.4 billion dollar purchase of Whole Foods by Amazon still represents a risk. The high-end grocery store has faced increased competition from other grocers, especially as larger chain stores seek to lure shoppers with similar lines of organic products offered at lower prices. Whole Foods' 460 stores also have faced a long stretch of same-store sales declines. With prices that average 20–30 percent higher than other grocers', Whole Foods continues to seek ways to deal with not just declining sales but also a labeling scandal uncovered by the New York Department of Consumer Affairs and growing opposition from both its board and its shareholders about the CEO's plan to remain independent.

Still, the acquisition of Whole Foods and its retail locations suggests that Amazon is dedicated to the idea of competing more aggressively in the retail grocery space and overcome its early struggles to cross into that market. Purchasing Whole Foods allows Amazon to piggyback on a successful brand and concept. Fresh leadership and greater purchasing power seemingly might help alleviate many of the woes that Whole Foods has struggled to overcome as an independent retailer.

By adding grocery to its already extensive array of retail offerings, now more than ever Amazon seems poised to compete with Walmart for ultimate dominance in the retail space. Both entities have expanded their operations, by acquiring other, smaller, successful brands, then raising the profile of each niche company to help it reach new audiences. For example, Walmart typically has been associated with lower- and middle-income customers in rural areas, but it recently acquired two high-end fashion companies, ModCloth and Bonobos, that are known for their fashion-forward images and significant online retail presence. Through such acquisitions, Walmart clearly is seeking to expand its product offerings and appeal to a new type of affluent consumers. They also allow Walmart to expand its online presence and fashionable image, such that it might compete more directly with Amazon for the same shoppers.

Simultaneously, Amazon's acquisition of Whole Foods seeks to broaden the retailer's appeal and customer base in the grocery market, a sector traditionally dominated by Walmart. As each nips at the heels of the other, the consolidation of retail power behind two mega-brands continues to lead toward what might be an interesting showdown in the retail sector. Which entity will come out on top?

Discussion Question:

1. Why did Amazon buy Whole Foods?
2. Was it a good idea from the perspectives of the buyer and seller?
3. How do these acquisitions fit into the current omnichannel retail environment?
4. Who will come out on top, in your opinion: Walmart or Amazon? Why?

Source: *Laura Stevens and Heather Haddon, "Big Prize in Amazon-Whole Foods Deal: Data," The Wall Street Journal, June 20, 2017; Neil Irwin, "The Amazon-Walmart Showdown that Explains the Modern Economy," The New York Times, June 16, 2017; Annie Gasparro and Heather Haddon, "Grocery Pioneer Whole Foods to Join Mass-Market Crowd," The Wall Street Journal, June 16, 2017;*