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RETAILING MANAGEMENT 9e



Newsletter for Instructors

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

- [Under Armour Seeks Deep Understanding of Customer Fitness](#) (Chapter 11)
- [Fashioning a Winning Strategy: The Top 5 Trends for Apparel Retailers in 2016](#) (Chapters 2, 11, 12, 17, and 18)
- [Staples' New Digital Tool to Help Small Biz](#) (Chapters 11 and 15)
- [Apple Pushes to Bolster Market Share in India](#) (Chapter 5)
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February
2016

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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

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



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Under Armour Seeks Deep Understanding of Customer Fitness

Dan Berthiaume, *Retailing Today*, January 8, 2016

Use with Chapter 11, "Customer Relationship Management"



The expanding uses of fitness tracking devices by consumers have not gone unnoticed by firms seeking to market to them. In response, firms such as Under Armour are looking for ways to provide not just fitness gear but also fitness coaching to consumers. By doing so, they seek further insights into consumers' preferences and activities, which in turn may enhance their ability to sell related products to those active, athletic buyers.

In a new collaboration with IBM and its well-known Watson tool, Under Armour will introduce a personal fitness app that enables users to measure their activity and receive real-time instruction from coaches. They also can enter their information into the system and agree to participate in app-based competitions with other people of the same age or from the same city. Beyond activity levels, the app

allows users to track and compare their sleep habits, meals, and nutrition levels.

Such options also suggest great promise for retailers that might link to the system (or develop their own) and leverage their own databases of customer information. For example, Dick's Sporting Goods has created a unique fitness app, to which it adds the extensive customer loyalty program data it already maintains in its data warehouses. The resulting recommendations and encouragements thus reflect a broader range of data.

Discussion Questions:

1. How will Under Armour's new database work?
2. Do you believe it will increase customer loyalty? Why?

Fashioning a Winning Strategy: The Top 5 Trends for Apparel Retailers in 2016

John Howard, *Retailing Today*, January 5, 2016

Use with Chapters 2, “Types of Retailers,” Chapter 11, “Customer Relationship Management,” Chapter 12, “Managing the Merchandise Planning Process,” Chapter 17, “Store Layout, Design, and Visual Merchandising,” and Chapter 18, “Customer Service”

According to a company that works closely with retailers to predict new trends and customer demands, the new year will be marked by five main features that reflect the shifting retail landscape. Consistent across these trends is the idea that retailers of all types and across all channels need to ensure that their customers can enjoy a seamless, easy, and personalized retail experience.

First, apparel retailers increasingly are expanding their assortments to include related items, such as home décor and cookware. Similarly, previously focused brands are adding expanded collections that feature plus size options, more athletic (or athleisure) gear, and so forth. For example, H&M already has introduced home goods sections in its stores and online site; it is preparing to introduce a cosmetics line as well.

Second, in addition to expanded assortments, retailers increasingly are offering distinctive and unique in-store experiences to consumers. As we noted in a previous newsletter, retailers such as Club Monaco and Restoration Hardware now include libraries, yoga studios, coffee shops, and other leisure services in some of their flagship stores. This drive to increase the time that customers spend in stores also will mean that retailers need to reconceive of their layouts and designs, as well as invest more in additional employee training and capital expenditures to enhance the likelihood of the success of these initiatives.

Third, sales clerks need more training in experience-based retail locations, but they really represent a key factor in any retail setting. Even as retailers seek to cut their labor costs, they increasingly are recognizing how important a well-trained and well-informed salesperson can be to the sale. Some stores are experimenting with ways to address both these needs, such as installing call buttons in dressing rooms, so that shoppers can solicit sales help when needed, but clerks can stay busy with other tasks when no one is asking them for assistance.

Fourth, discounts are moving off site. Many major retailers, including Nordstrom, Lord & Taylor, and Macy's, have expanded or initiated separate storefronts for their discounted items, separating them from the inventory maintained in their traditional stores. The goal is largely to keep earning profits without disrupting regular shoppers' price perceptions. The threat is that all these regular shoppers will simply switch stores and start shopping solely at the off-price versions of their favorite retailers.

Fifth, some of these retailers are known for their personalized service, such as clerks who call their best customers on their birthdays. In the modern retail world, such personalization increasingly takes place in digital forms, and customers increasingly seek out deals or promotions that are unique and specific to their needs and wants. Such moves might help increase the sense of personalization, but it also might lead ultimately to smaller margins for the retailers.



Discussion Questions:

1. What are the top five trends for apparel retailers?
2. How are retailers reacting to those trends?

Staples' New Digital Tool to Help Small Biz

Mike Troy, *Retailing Today*, January 4, 2016

Use with Chapters 11, "Customer Relationship Management," and Chapter 15 "Retail Communication Mix"



With its Quick Wins app, Staples is hoping to reach out to the small business owners who shop at its retail stores, providing them with not just office supplies but also ideas on how to run their offices. The app will track their performance on a range of measures, including social media engagement, website traffic, and financial metrics, all in one place.

The introduction is a clear response to customer demand. Through its research, Staples determined that approximately 41 percent of its small business customers expressed their need for help with these measures of performance, but they also did not know which metrics were most important, nor did they have a clear sense of how to measure them accurately. Worried about their ability to keep up with the information, respondents to Staples's surveys also noted that they would prefer for all the data to be available in one, easy-to-read dashboard.

By helping these business customers track key data regularly, Staples also promises to develop customized, specific suggestions for how the business customers can expand and increase their firms. Furthermore, through the Quick Wins app, users can interact with other small business owners, seeking answers and support from their peers.

Discussion Question:

1. What are the benefits of Quick Win for Staples? For its customers?

Apple Pushes to Bolster Market Share in India

Newley Purnell, *The Wall Street Journal*, January 20, 2016

Use with Chapter 5, “Retail Market Strategy”

In its effort to ensure that iPhones become the smartphone of choice in Indian markets, Apple is covering virtually all the bases that constitute an effective retailing strategy.

To start, it is finding the appropriate places to distribute its products. India long maintained strict regulations on foreign entrants, which have loosened only relatively recently. Therefore, Apple works with Indian distributors that already have relationships in place with local retailers to get iPhones in people’s hands. At the same time, it has applied to take advantage of shifting regulations to open its own stores, as well as selling products online to consumers in India. With these efforts, Apple has gained a foothold in most major metropolitan areas. Now it is turning its attention to the harder-to-reach rural centers and seeking creative distribution and retailing tactics in those areas.

To ensure that customers are aware of the availability of iPhones, Apple similarly is launching multi-pronged promotional campaigns. It makes sure that new versions are available soon after their launch, so that it can build on the global buzz that tends to surround new releases. But it also relies strongly on billboard advertising in major cities, and the company has long-running advertising campaigns in newspapers, where its products feature prominently in attractive, full-page ads.

Much of the advertising seeks to promote a new perspective on Apple’s pricing, which thus far has seemed out of reach for many Indian consumers. Average incomes in India are equivalent to about \$1500, and even middle-class consumers earn about \$8000 per year. Thus iPhones, priced between \$500 and \$1000, have gained a reputation as a high-end luxury, out of reach for most people. To address the challenge, Apple highlights the benefits of iPhones, suggesting their value for the money. It started offering low-interest financing options as well, in collaboration with local banks, to help people spread the payments for their phones over time. In the meantime, the price points have come down somewhat, and Apple promises rebates to customers who trade in an older model for a new iPhone.

These trade-ins also reflect Apple’s efforts to expand the size of the smartphone market overall. Many Indian consumers rely on mobile devices without smart capabilities, such that only 35 percent of the mobile phones sold in India are smartphones. Noting the conventional wisdom that suggests this rate is set to increase—one consulting company anticipates that India will surpass the United States as the second largest smartphone market, behind only China, by 2017—Apple hopes to greatly increase its own share. Currently, only about 2 percent of Indian consumers have an iPhone, but even that tiny share accounts for about \$1 billion in revenue for Apple. If the projections hold true, India promises remarkable potential growth for Apple, at exactly the moment its sales growth in existing country markets like the United States and China has started to stagnate.



Discussion Questions:

1. Why is Apple strengthening its presence in India?
2. What is Apple doing to appeal better to the Indian market?

FreshDirect Targets Multi-Device Strategies

David Orgel, *Supermarket News*, January 20, 2016

Use with Chapter 3, "Multichannel Retailing"



For consumers who do their grocery shopping through electronic channels, such as those maintained by FreshDirect, the device they use may make big differences in the items they order. Accordingly, FreshDirect acknowledges its need to understand where, when, and through which channels its customers are shopping during each interaction with the company.

As a simple example, the grocery delivery service has determined that when people place orders on Saturdays or Sundays, they are usually doing so on their mobile devices. During the work week though, they largely use computers, suggesting that they are ordering from their desks, during their lunch breaks or in the midst of their work day. This difference means that the mobile site could promote more products that appeal to lazy weekend activities. But the traditional website likely needs to be quick, so that consumers can

place their orders before their supervisors notice that they are on a shopping site during work hours.

The company's chief consumer officer offers a range of scenarios in which multichannel and multi-device capabilities are critical for the retailer. In particular, she highlights questions about when and where consumers prefer to find recipes, as well as how they react to potential weather hazards, noting "Let's say snow is coming. We don't know exactly which day. We need to figure out when's the last time we can market this week. Are we going to need to shut down? We know people are panicked and they want their food. So we have to figure out where they are at that moment. Do we need to give a snow message on their mobile devices? And then coordinate it with what's on the desktop?"

As people's time spent interacting with online and mobile content increases, trends suggest that, conversely, their interactions with each individual seller are getting shorter. Retailers have just a moment to appeal to these quick moving shoppers, and a key element of that appeal is understanding how they use their various devices in specific ways.

Discussion Question:

1. Why is it important to understand how consumers use different electronic channel devices?

Autonomous Robots Are Changing the Way We Build and Move Products Around the World

Jim Rock, TechCrunch, January 10, 2016

Use with Chapter 10, "Information Systems and Supply Chain Management"

Almost invariably, discussions about robots spark fantastic visions of a future in which no one has to do housework anymore, and their daily commute is as easy as plugging in a destination. But the realistic applications of robots are both more detailed and potentially more meaningful in terms of their implications for how consumers access the daily products they buy.

Consider Tally, for example. This prototype robot moves automatically through the aisles of grocery stores, taking pictures and scanning approximately 15,000 items each hour. With this information, it can alert the grocer to misplaced products, unstocked shelves, and messy displays. It also checks prices. Beyond the immediate alerts of problems, Tally uploads and aggregates these data, producing summary reports that grocery retailers can use to adjust their practices and improve their presentations.

Tally has a cute name; another innovation for retailers evokes a different image. Starship Technologies sounds like it belongs on a television screen, but the company is already testing the use of robots that can cover the last leg in the delivery process. These delivery vehicles—about the same size as a mini-refrigerator, with sturdy wheels that enable them to get up and over short flights of stairs—will carry small purchases from a retailer to a customer's home. They rely on cameras, radar, and location software to navigate, such that most of the time, they are moving without any direct human intervention. Currently being tested in just a few cities, the robots might soon be a common sight on sidewalks around the world.

Thus in the near future, whether consumers prefer to make a visit to their local grocery store or order their supplies for the week online, they are likely to encounter autonomous robots, busy doing their jobs to ensure that products get to the people who want to purchase them.



Discussion Question:

1. How will new technologies help streamline retail supply chains?

Not Everyone at Zappos Loves Holocracy

Matthew Stern, *RetailWire*, January 19, 2016. See also Gregory Ferenstein, "The Zappos Exodus Wasn't About Holocracy, Says Tony Hsieh," *Fast Company*, January 19, 2016

Use with Chapter 16, "Managing the Store"



When it comes to raising and testing radical ideas for retailing, Zappos ranks among the most active firms. Consider some of its best known and unique policies. If new hires, after undergoing training, decide the company is not for them, Zappos pays them a substantial amount, rather than trying to hold on to dissatisfied employees. It was among the first to offer free return shipping and even to encourage customers to order multiple sizes of their preferred shoe styles, then send back the ones that didn't fit. Zappos is big on employee empowerment as a way to achieve customer satisfaction too. It allows and encourages customer service representatives to find the products that customers want, even if that means sending them to another retail site.

Its latest creative idea is similarly revolutionary, though the success of the initiative is yet to be determined. Noting the criticisms that hierarchical corporate cultures can stifle creativity and effectiveness, Zappos dismantled anything resembling a hierarchical structure. There are no job titles, and job roles are fluid and shifting, according to what needs to be done at any particular moment. Rather than "bosses," the holocracy system relies on networks of self-managing teams that overlap in their responsibilities and interactions.

In keeping with Zappos' philosophy that it is less expensive to pay a fee to those who don't want to stay than to force them to remain on staff, it offered severance packages to any employees who chose to leave rather than work in the holocracy. The packages offered at least three months' pay, or one month of pay for every year the employee had been with the company, whichever amounted to more.

In response to this relatively generous offer, an estimated 18 percent of the company's staff chose to leave. External reports accordingly have suggested that the experiment is failing, such that too many staffers appear to have rejected the innovative notion. But the company disputes that claim, noting that its average annual turnover already was about 20 percent. Furthermore, Zappos' charismatic CEO Tony Hsieh argues that most of these departures did not constitute indications that people were unhappy with the holocracy. Rather, he asserts that it implies that the severance offer was so good, they could not pass it up the opportunity to have a few months' salary in the bank, as a cushion while they "pursued their dreams."

Still, some reports suggest that the new structure increases inefficiencies, such that it leaves decision-making authority unclear. It also requires substantial resources to implement, considering that it represents an untried and unfamiliar way of working. One anonymous call center worker complained that the launch of the holocracy involved a wealth of time-consuming, unproductive meetings, as the company worked to explain the new concept and ensure that it was functioning as intended.

Thus, the success of the holocracy appears to depend on the perspective. Should the summary assessment be that 18 percent of people left rather than work under a holocracy, or should it emphasize (as Hsieh suggests) that 82 percent of people, when offered a generous severance package, chose to stay?

Discussion Questions:

1. What is holocracy?
2. Under which circumstances do you believe it will work? Fail?
3. Would you like to work in a holocracy?

The True Cost of Returns

Tom Ryan, *Retail Wire*, January 4, 2016

Use with Chapter 10, "Information Systems and Supply Chain Management"

Returns and the logistics associated with them have always been an issue for retailers: What is a store to do with a swimsuit that a customer returns in late August, after summer is virtually over? How can they handle opened boxes and disrupted packaging if they hope to sell the returned product as new? Such questions have become ever more pressing and prominent as modern consumers grow more accustomed to the idea that they can purchase virtually anything they want online and return it conveniently through easily accessible shipping channels.

For many retailers, the primary solution to the piles of returned merchandise is to get rid of the items as quickly and cheaply as possible. Rather than invest additional time and resources in repackaging electronic items or returning out-of-season clothing to hangers, many retailers either toss the returned items into the trash or seek to sell them to bulk buyers.



In this reverse logistics system, the bulk buyers include wholesalers, liquidators, and resellers. In some cases, dedicated agents hold auctions for pallet loads of returned products. The prices for the items run from about 10–40 cents on the dollar, such that the profits of these resellers depend on their ability to move large volumes. If they can purchase more returned items that they then can sell at a slight markup in wholesale or resale channels, often in the form of flea markets or dollar stores, then they can make a profit. The margins remain slim though.

To help retailers decide whether entering the auction market is even worthwhile, new software introduced by a company called Optoro promises to assess each return for its viability. Rather like a consumer going through a closet of clothing, it divides the returns in "piles": repackage for retail sale, toss in the trash, or send to the auction for wholesale.

Discussion Questions:

1. **What is reverse logistics?**
2. **Why is it so expensive for retailers?**
3. **Why don't a lot of returns go back into stock?**
4. **What do retailers do with the majority of returned items?**

Should Retailers Consider New Recruiting Strategies for Millennials?

Matthew Stern, *Retail Wire*, January 13, 2016

Use with Chapter 16, "Managing the Store"



When it comes to appealing to Millennials, retailers have to consider more than just young consumers; they need to think about the job applicants that present themselves to fill the many jobs available in the retail sector. Although the strategies to find and hire the best applicants might not be totally different based on generational cohorts, some aspects of the process could require adjustment to appeal to Millennials, who currently account for approximately one-third of the workforce and will constitute the majority of workers by around 2025.

In particular, some studies suggest that a key practice is to engage in dialogue, to find out what each individual applicant seeks in terms of job goals, responsibilities, and future prospects. With this information, a Millennial job candidate can affirm whether she or he will fit with the retailer's corporate culture, which constitutes an important criterion

for young workers. Other reports suggest that working in a team setting that enables them to receive training on the job is important to most Millennials.

Although such tactics might be optimal for getting individual employees to commit, hiring firms appear to hold somewhat poor views of Millennials as a group. For example, 74 percent of hiring managers surveyed in one study indicated their sense that Millennials had a poor work ethic, compared with previous generations of workers.

Part of the source of these conflicting notions might stem from a basic difference in perspective about what employment should mean. Many previous generations might have sought to obtain a job and stay with that same company for their entire careers, and people with that attitude likely are the ones doing the hiring. But Millennials instead might respond better to a strategy that encourages them to develop their skills and talents by leveraging the resources available in the company at that time. By helping them cultivate these skills, in line with their own preferred job trajectory, the retailer can ensure that it prepares them to perform well in the future. From a traditional view, the challenge of such an approach is that the Millennial might find more opportunities with another company. But that might be the price modern retailers need to pay to attract the best talent among the current generation of workers.

Discussion Question:

1. From your personal perspective, do you agree with these results of studies of Millennials? Why or why not?

Is There Gold in the Stories of Local Food Artisans?

Tom Ryan, *Retail Wire*, January 20, 2016

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

According to Williams-Sonoma, the high-end kitchen wares retailer has “always been about building a sense of community around food.” Thus to the chain’s executives, its Artisans’ Market program is simply an extension of the sorts of programs it has always maintained.

Over the past several years, Williams-Sonoma has invited local producers to showcase their foods or drinks in individual stores. The program currently includes 75 stores around the country, and it promises the local producers an opportunity to share their products throughout the entire roster of the company’s 240 stores nationwide.

In Portland for example, Jacobsen Salt Co. started with an introduction in the Artisans’ Market and currently sells dozens of its products exclusively through Williams-Sonoma’s retail stores. Rather than relying on farmers’ markets or online sales, the companies thus receive vast exposure to captive audiences of high potential consumers who—simply by virtue of entering Williams-Sonoma stores—are clearly interested in high-end and artisanal food.



As noted, Williams-Sonoma refers to the program as a continuation of its existing commitment to local food movements. It also runs an awards program, called Good Food, that highlights and presents awards to food producers that manufacture their small-batch products in socially and environmentally responsible ways.

Of course, Williams-Sonoma is not the only retailer to offer praise to local suppliers of good foods. Grocers such as Kroger, Meijer, Trader Joe’s, and Whole Foods dedicate shelves to local products. Both Whole Foods and Kroger also host events that allow local growers and producers to present their products to shoppers.

Williams-Sonoma differs mainly in its target market. That is, people visit these stores not to stock up on their weekly grocery supplies but rather to find something special or consider the purchase of a high-tech coffee maker, sophisticated sous vide machine, or expensive copper pot. The target market is thus specific, appealing, and likely to include foodies who love to know about what local growers are doing.

Discussion Questions:

1. What does Williams-Sonoma do to provide an enriched customer experience?
2. Would these activities bring you into its stores?
3. Would it enhance your loyalty to Williams-Sonoma?
4. Do you believe you would buy more as a result of these activities?

Retail Tidbits

Simpsons Stores Coming Soon to China

Wang Ying, China Daily, January 21, 2016

Although he already made a fictional visit to China in an episode of *The Simpsons*, it was not until recently that Homer Simpson made his appearance in dedicated retail stores. But two new stores, in Shanghai and Beijing, will make the yellow cartoon family their main focus. The stores—the first physical retail locations in the world to be dedicated exclusively to Homer, Marge, Bart, Lisa, Maggie, and all the other residents of Springfield—will stock all sorts of Simpsons gear, from shirts and jackets to phone cases and stationary. In addition, the founders of the store note their hopes to open about 100 such stores throughout China in the near future. The arrival of the Simpsons reflects a wider trend, by which the companies that own the licenses for entertainment products recognize the promise of the vast Chinese market. Accordingly, Disney already has opened a flagship store in Shanghai, and Star Wars–themed products account for tens of billions of dollars in sales. The international appeal of such characters is clear: Funny families generally work on any continent.

Amazon Rolls Out Devices that Refill Themselves

Industry Week, January 19, 2016

You know the look the dog gives you when you forget to refill the container, so he winds up with crumbs for dinner? Or how about that moment of panic when your 20-page paper is due tomorrow morning, but on about page 6, the printer comes to a halt, noting that it is completely out of ink? Well, so does virtually everyone else in the world. Therefore, in an effort to help consumers avoid these daily frustrations, Amazon has introduced its Dash Replenishment service, currently available on a few smart devices. A GE washer will automatically reorder laundry detergent when the liquid reaches dangerously low levels. One of Brother's printers sends automatic orders to Amazon for ink to replenish itself, and there is even a blood glucose monitor that links to Amazon to reorder the supplies for these health-saving devices. After setting up the services and agreeing to the automatic orders, customers don't have to do anything—other than remember to feed the dog with the food that has been delivered to their doorstep.

It's Time for a Conversation on Artificial Intelligence: How The North Face Uses AI to Create Natural Conversations with Online Shoppers

National Retail Foundation, January 18, 2016, <https://medium.com/nrf-events/it-s-time-for-a-conversation-on-artificial-intelligence-30aea7d73f69#.tqi8g4jc9>

Some recent tests, conducted by The North Face with an innovative Expert Personal Shopper program, suggests that there is much to be learned when it comes to using artificial intelligence in retailing. In particular, the program, produced by a company called Fluid, seeks to learn exactly what consumers are looking for when they first click on to The North Face's website or mobile channel—just like a sales clerk would do if they walked into a North Face store. By asking questions with progressively increasing detail, the program (powered by IBM's famous Watson) selects several items that might meet a shoppers needs and presents them onscreen. The two-way communication seeks to feel natural and organic, rather than imposing selections on the shopper. But before it achieve this status or devise accurate recommendations, the program first must learn about all the products available. A sophisticated search assistant is little help if it can't recognize the meaning of product descriptions to be able to match items with consumers' wants. In addition, it needs to integrate external information that might be pertinent: For a consumer searching for a jacket to wear on a ski trip to Vermont in December, for example, the Fluid program needs to know what the average temperatures are at that time and place. But as these lessons get learned, this experiment might predict the future of retailing. The 50,000 customers who worked with a beta version of the software remained on the site for an average of 2 minutes longer than they did without the assistant. They also gave it high ratings for its functionality, and 75 percent of them noted that they would use it again.

Rivals Need to Up Customer Experiences to Compete with Amazon

Ken Lonyai, Retail Wire, January 12, 2016

How can retailers compete with Amazon, which continues to wow with its innovations, rapid delivery options, successful appeal to consumers, and effective pricing? One journalist took notes during recent shopping experiences with a variety of its competitors and came away with some specific and detailed suggestions for each of them. For example, Macy's has a great online presence, but the inventory in stores is often messy and seemingly overstocked, without sufficient on-duty personnel to keep the experience moving along nicely. Thus it might need to reorient its focus on quality, rather than quantity, in its inventory strategy. In contrast, this author finds Lord & Taylor's online presence tedious and difficult, suggesting its need to address the simple execution of its offer: enabling people to select and pay for the items they want to buy. With its omnichannel approach, JCPenney seemed great, until the author tried to order something that was out of stock. Rather than deal effectively with the problem by leveraging its multiple channels, the retailer just cancelled the order, leaving the author with the sense that it was not exploiting its omnichannel potential to its full extent. This author also notes that none of these issues is uncommon, and they might not even be completely avoidable. But, as he asks dramatically, "Given Amazon's prowess, is there a plausible explanation as to why competitors are not taking every possible action to save themselves and their customers before being annihilated?"