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National Retailers are Abandoning Small Town, USA

As he saunters through the men's department, the 6-foot-3-inch, heavy-set Gifford cuts an imposing figure. But the leader of the Detroit Church of God in Detroit, Alabama (population: 237) is jovial, open and happy to chat.

In his hometown, there is a Walmart and a Dollar General. You can buy clothes at Walmart, sure, but while they are cheap, the retailer lacks selection. That is why Gifford hops in his used Town & Country and travels 50 miles east to shop at the Jasper Mall JCPenney to stock up on clothes for his family.

He is supporting a stay-at-home mom and two children on his $70K church salary. To save money, Gifford shops the clearance rack and uses loyalty points for out-of-season clothes big enough for his kids to grow into when the calendar comes back around.

But come this summer, JCPenney will be no more in Jasper. It is among the more than 130 locations that J.C. Penney, its parent company, is shuttering as it struggles in the current retail environment, which is becoming a slaughterhouse.

Since the start of the new year, the retail market has undergone a seismic shift. Bankruptcies have skyrocketed to levels that have surpassed even the Great Recession, and it appears every week another retailer has announced a mass of store closings. In the past year, more than a dozen retailers have announced widespread store closures, including anchors like JCPenney, Macy's with 68 stores, Sears with 42 stores, Kmart (parent company of Sears) with more than 100 stores and HHGregg, which is liquidating all 220 of its stores.

“J.C. Penney owns a lot of stores where nobody lives," CoStar director of retail research Suzanne Mulvee said at a recent Bisnow event. "So these stores should close, and they will continue to close."

The thousands of people who live in and around Jasper, and the millions who live in small towns like it all over the country, would disagree. But there is no disputing the impact these closures are having on rural shoppers.

“This mall's going to be dead after this,” Gifford said as he browsed through clothes for his son. “When this one closes, it'll be Birmingham or it'll be Tupelo, [Mississippi]” to shop at the next closest JCPenney, 90 miles away.

While store closings are spread among urban and tertiary markets, many of these retailers have closed locations in smaller towns throughout the U.S. — community names like Pineville, North Carolina; Oveido, Florida; Harper Woods, Michigan; Milledgeville, Georgia; Decorah, Iowa; and Chanute, Kansas. Places similar to these have populations far lower than in major urban centers and communities where demographics and populations have sometimes remained stagnant, or maybe even fallen over time.

This dynamic has been demonstrated in recent years in Georgia. While urban areas of the state like Atlanta have seen a 4% growth in businesses, including retailers, rural parts of the state have lost 2%. Of the 159 counties in Georgia, 103 have seen more businesses close than open in the last six years, Georgia Chamber of Commerce CEO Chris Clark said.

“That's dramatic,” Clark said.

There are plenty of reasons for the retail Armageddon; the proliferation of online shopping, changing shopper habits, Millennials who would rather spend on experiences than goods. All those factors are hitting brick-and-mortar retailers across the country.

But rural America is taking the brunt of it, said Richard Green, the director of the University of Southern California Lusk Center for Real Estate and a professor at both USC's Sol Price School of Public Policy and the Marshall School of Business.

“Our towns are not … competitive places economically. There's not a lot of money around for retail or anything else,” Green said. He cited a program by the Canadian government that subsidizes rural businesses, including retail. “It's a cruel thing to say, but in the absence of massive government intervention, these towns are going to disappear."

When Luan Kendrick first heard reports of JCPenney closing, she jumped online to scan through the list of store closings. And sure enough, her local store in Jasper was among those on the chopping block.

“I'm like, 'Oh, no,'” Kendrick said. “This is the only place I shop for clothes in Jasper. Otherwise, I shop online.”

Kendrick was on break from work to shop at JCPenney at the Jasper Mall and returning to her car when she spoke to a reporter. It was a short walk, given the parking lot was practically empty.

The mall was once a hub of retail here. The Chick-fil-A in the mall shuttered and moved up the highway. A number of stores remain boarded up. Last year, its anchor, Kmart, closed. JCPenney is next. For Kendrick to shop, she will need to travel nearly an hour to Cullman, Alabama (population: 15,000), a city that avoided being part of this round of closures.

The New Normal

Brick-and-mortar retail Armageddon hitting small town America particularly hard makes sense from a retailer's perspective, said Garrick Brown, the director for retail research for global real estate firm Cushman & Wakefield. Small towns have typically seen unemployment rates well above the national average, especially in the Deep South and the Midwest.

A town of 10,000 people can be the largest retail market for 150 miles all around, Brown said. That means for residents in those towns, traveling farther and farther to shop at stores has become "the new norm.”

“There is a bit of a void, I think, in small town America,” Brown said. "But then again, this is where the weakest economic growth has been."

Rural settings are also getting left behind in household formation. According to Cushman & Wakefield, urban and suburban markets will command some 94% of household growth through 2025, while rural markets will take 6%.

That is a far cry from the rampant retail growth seen during the 1980s, 1990s and even early 2000s, especially among publicly traded retailers that used new store growth as a means to increase sales. That has led to an environment where an overwhelming amount of retail square footage is simply beyond obsolescence.

“There’s about a billion square feet of retail space that needs to go away, that needs to be converted, for the market to get healthy,” Mulvee said.

Some of the country's biggest retail landlords have gotten that message as well. National REITs like Kimco and RPAI have either sold, or are trying to sell, all of their properties outside of the 25 most-populous metropolitan regions. If communities do not fit in that category, they are not considered a viable retail option.

Newer And Better

Over the past 15 years, Art Barry, a partner with Coldwell Banker Commercial, Eberhardt & Barry, has seen a shift in the retail landscape in Macon, Georgia (population: 89,000). Macon Mall was once the largest mall in all of Georgia, a sprawling retail fortress built along what was Macon-Bibb County's main retail thoroughfare. Back in 1997, the mall underwent a $50M expansion that added Dillard's and Parisians (before Parisians was purchased by Saks Fifth Avenue, then Belk).

Both stores are long gone from the mall, and Hull Property Group — which purchased the mall in 2010 — has razed the 1997 addition. Now, the JCPenney is closing.

“There's a shake-up going on," Barry said. "You always have an earthquake before the recovery. I would be interested to see who fills the void for [JCPenney], if anybody.”

To be fair, many of Macon's retailers simply moved to the northern part of the county, where newer power centers sprang up to cater to the area's more affluent neighborhoods. But with those moves came a culling of multiple stores, Barry said.

“Anybody who had two stores here now has one,” he said. “The third-tier towns in the state have been crushed.”

He likens retailers to gardeners: If they only have a few seeds to plant, they are going to plant them in the places with the most fertile soil. And retail fertility is all about population growth and strong demographics.

“Coming out of the recession, why are we not experiencing the growth here? Only the areas that have the population growth models are receiving new nationally anchored retail and restaurants,” Barry said.

“I'm not picking on my community. I'm really not," he added. "But if you can't demonstrate population growth after this ball-buster of a recession,” then retailers will think twice before considering a new store.

The closing of retailers in small town America's shopping centers can have effects far beyond empty spaces. In some cases, the job and the sales tax losses can impact the overall community.

Case in point, Clark said, is Darien, Georgia (population: 2,000), a city 50 miles south of Savannah in McIntosh County. The biggest economic driver for Darien was the Darien Outlet Center off Interstate 95. A decade ago, the center touted 80% occupancy with such retailers as the Gap, Tommy Hilfiger, Liz Claiborne and Nautica. Then a newer outlet center opened in Savannah, and the center saw its occupancy drop to 25% in 2015.

The result: McIntosh saw an 80% drop in county tax revenue, Clark said.

Mayor David O'Mary, now more than 180 days into his first term, surveys Jasper from a second-floor office in the city's downtown. It is still reeling not only from the recession, but, like the rest of Walker County, also suffering from job losses associated with the coal mining industry.

Alabama's current unemployment rate is 6.2%, well above the national average of 4.7%. Walker County is at 7.2%. And O'Mary said the city's unemployment rate is a full percentage point higher than that. And that is a big reason in his mind why J.C. Penney has selected its Jasper store to shutter.

“This comes on the heels of the coal industry taking a major downturn,” O'Mary said. “The perception I hear on the street is the coal industry is driving this.”

According to a J.C. Penney spokesperson, 40 employees will be affected in the Jasper store, among the 5,000 nationwide that will be laid off once the stores close in July. Some employees may be relocated to other stores, and those being laid off are slated to get separation benefits "including an on-site career training class," a J.C. Penney spokesperson said in an email.

There are economic development implications. While Jasper has seen some new stores enter the market — discount grocer Aldi, TJMaxx and Hobby Lobby all opened stores there in recent months — JCPenney is among a wave of closures, including Kmart and Goody's. (Planet Fitness has since backfilled that store's space.)

The closings in particular of two major anchors at Jasper's only mall gave one retail prospect looking at the city for a location pause, O'Mary said.

“When they see this sort of thing, [they] put you under more scrutiny,” he said.

Taxes garnered through retail sales are critical to the city. Jasper recently finished developing a new high school for more than $50M, paid for by a bond that is funded by portions of a penny tax on retail sales in the city, he said.

The biggest employers in Jasper today include Walker Baptist Medical Center, Bevill State Community College, the poultry processing company Marshall Durbin and Walmart. The city and the county have been pushing for economic development opportunities to bolster local jobs, focusing on small, industrial players. They have seen an influx of auto parts makers, including HTNA Hayashi Telempu and Nitto Inc., since the turn of the new millennium. But O'Mary said the city needs more of that.

“I'm putting a great deal of emphasis on industrial sites for smaller manufacturers,” he said. “The only thing that's keeping us off our A-game is jobs, and I'm going to remedy that.”

Nickel And Diming

A local retail resurgence will likely not be rural and tertiary markets' saving grace, although Brown said there has been a return of locally owned businesses filling a void left by the loss of national retailers.

“It's almost like a return to the old general store,” he said, adding that some retailers have even begun experimenting with smaller format stores in some rural markets. “But I'm not holding my breath for the revival of small town retail.”

In many small towns, Walmart is the dominant retailer, even after it shuttered a number of its smaller community stores in rural markets over the past couple of years. Beyond Walmart, Brown said dollar stores have taken rural America by storm in recent years.

During the past five years, 7,000 new dollar store formats have opened, many in rural markets, Brown said. That breaks out to about four new stores a day. And this coming year alone, Dollar General has announced plans to open 1,000 new stores.

"They really have become the mantel of small town retail,” Brown said.

Dallas-based Site Selection Group CEO King White said it makes sense that the discounters like dollar stores and rental centers are growing in tertiary markets. They are more easily scaled in those markets compared to big-box and department stores.

“The bigger box in some of these markets, the greater the risk,” White said.

But Brown is even concerned about the dollar store sector: There are too many stores and not enough same-store sales growth. They are not losing money like Sears and Macy's, but many of them are not seeing sales in existing stores grow. It means the sector could be approaching a saturation point, which could again hurt rural areas.

“There's so many of these in the marketplace,” he said. “That sector itself has grown so much, my big fear is that in the next year to two years, we're going to be due for a shakeout.”

'We Can't Get Anything In This Town'

Hyacinthe Boyd frequented Kmart when it was at the mall. But despite TJMaxx replacing it, the 37-year-old said she prefers to drive 40 minutes to Birmingham, where there is a much wider selection of apparel shops, especially catering to her more youthful taste, while still getting a bargain.

“Really, there's not anything that's cool or places that younger people like to shop” in Jasper, Boyd said. “I mean, they have Belks, but that's about it.”

Jennifer Christian said she also prefers to travel to Birmingham to shop. And finding bargains in Jasper is harder to do than in the bigger city.

“We don't have a lot, and [prices] are a lot higher here in Jasper,” Christian said. “We can't get anything in this town.”

In Macon, Barry is about to be a grandfather for the first time. But there are no baby stores to buy gifts. When asked where he plans to shop for his new grandchild, Barry did not hesitate to answer.

“Atlanta,” he replied.

It is 85 miles away.

https://www.forbes.com/sites/bisnow/2017/04/19/national-retailers-are-abandoning-small-town-usa/9/#726116ed7e20

Bebe is Closing all its Stores by the end of May

Struggling apparel retailer Bebe Stores Inc said on Friday it would close all its stores by the end of May, barely a month after announcing it was exploring strategic alternatives following four years of losses.

The company also plans to liquidate all merchandise and fixtures within the stores, it said in a regulatory filing on Friday.

Bloomberg reported last month that Bebe was planning to shut stores and seek a turnaround as an online brand to avoid filing for bankruptcy.

A number of apparel retailers have gone bankrupt in the last couple of years, including Aeropostale and The Limited, due to lackluster demand as they battle stiff competition from Amazon.com Inc and fast-fashion retailers such as H&M and Zara.

Bebe expects to recognize an impairment charge of about $20 million from the store closures, which will be recorded in the third and fourth quarters.

The company did not say what its future plans were.

The Brisbane, California-based retailer, known for its form-fitting dresses and other apparel, had 180 stores at the end of 2016.

The company will also pay advisors B. Riley & Co and Tiger Capital Group LLC $550,000 and 15 percent of the gross proceeds from the sale of store fixtures.

http://www.businessinsider.com/bebe-closing-stores-2017-4

Sears Holdings Gives Update on Restructuring, Real Estate and Finances

Things aren’t getting any better at Sears Holdings, at least not sales wise.

The struggling chain on Friday provided an update on its restructuring program, increased its cost-saving target, and also gave a first quarter update. Since the beginning of the fiscal year, same-store sales at Sears and Kmart declined 11.9% on a combined basis, 10.8% when excluding consumer electronics, compared to the year-ago period.

“The retail environment remained challenging with continued softness in store traffic and elevated price competition,” said Edward S. Lampert, chairman and CEO of Sears Holdings. “Despite the softness in our retail channels, our home services business continued to perform well and we believe it is positioned for continued growth for the balance of the year.”

Lampert added that as a result of the sales of its Craftsman brand and the sale of certain real estate properties, the company expects to report positive net income for the first quarter of 2017.

Sears said it expects to reduce costs by $1.25 billion for the year, up from a previously announced $1 billion. The retailer said it has already delivered on $700 million in cost savings to date. The initiatives being taken to realize $1.25 billion in annualized cost savings in 2017 include the previously announced closing of 108 Kmart and 42 Sears stores. New actions include the closing of 92 underperforming pharmacy operations in certain Kmart stores and 50 Sears Auto Center locations.

“Earlier this year, we initiated a strategic restructuring program and committed to improving our operating performance and financial flexibility in a very challenging retail environment," Lampert said. "While we have made significant progress in reducing our cost base and enhancing our member value proposition, we need to take further action. Accordingly, we will increase our structural cost savings target by $250 million on an annualized basis and accelerate our efforts to maximize value from our real estate portfolio, which we believe will improve our financial flexibility as we pursue our strategic transformation."

Lampert added that Sears will to take all necessary actions to improve its performance and will leverage its lease optionality to reconfigure its stores and reduce capital obligations.

Sears has established a special committee of independent directors to market certain real estate properties. The committee has retained Eastdil Secured, Centerview Partners, and Weil, Gotshal & Manges LLP as its advisors. As of Friday, April 21, the committee has received non-overlapping bids in excess of $700 million on over 60 separate real estate properties.

http://www.chainstoreage.com/article/sears-holdings-gives-update-restructuring-real-estate-and-finances

Sports Direct Enters US Market with $101M Eastern Outfitters Buy

U.K. sports retail company Sports Direct announced on Friday that it received the approval of the Delaware Bankruptcy Court to acquire certain assets of Eastern Outfitters LLC, including the businesses of Bob's Stores and Eastern Mountain Sports for $101 million in cash, according to a company press release.

Sports Direct, through share bought between March 30 and April 13, also acquired a 7.9% stake in The Finish Line Inc., according to a regulatory filing cited by SBG Media. The stake makes Sports Direct the fifth-largest shareholder of Finish Line, according to FactSet data cited by SGB.

The acquisition of the Eastern Mountain brands includes (following closures) approximately 50 Bob's Stores and Eastern Mountain Stores retail locations in the U.S., selling predominantly sports and casual wear, as well as outdoor and camping equipment and clothing the company said. The deal is expected to close in the first half of May.

The fresh acquisition gives U.K.-based Sports Direct a footprint in U.S. brick-and-mortar retail and a platform from which to grow U.S. online sales. The purchase funds for the deal have either been advanced by Sports Direct by way of debtor-in-possession and other loans to Eastern Outfitters as part of the Chapter 11 process, or they've been used by Sports Direct for the acquisition of Eastern Outfitters' debt, in each case in the period since Jan. 27, the company said in a press release. Eastern Mountain's acquired businesses incurred a pre-tax net operating loss of $26 million, and as of Jan. 28 their gross assets were $126 million, according to Sports Direct.

Last year, Eastern Outfitters' previous owner, Vestis Retail Group, shuttered regional sports retailer Sport Chalet in order to focus on its Bob’s and Eastern Mountain Sports operations, and it ultimately sold those retailers to Versa Capital Management. At the time, Eastern Outfitters had more than $400 million in annual revenue, but its financial stability didn't last.

Fierce competition in the sporting goods space has taken its toll on many players in the sector — felling Sports Authority, which filed for bankruptcy and liquidated last year. Sports Authority was once the largest sporting goods chain in the U.S., but it was hobbled by mounting debt, weak e-commerce returns and failures to meet increasing challenges in the space. Dick’s Sporting Goods acquired its intellectual property and many of its stores.

Eastern Outfitters, which filed for bankruptcy in February, is just the latest retail company owned by a private equity group to run into trouble. The Limited, owned by Sun Capital, recently shut down, while J. Crew, owned by TPG Capital LP and Leonard Green & Partners L.P., in February sued its lenders, alleging that they were interfering with its restructuring plans.

http://www.retaildive.com/news/sports-direct-enters-us-market-with-101m-eastern-outfitters-buy/440964/

Shuttered Sporting Goods Retailer Back in Business

The game is back on at City Sports Inc.

In 2015, the Boston-based sporting goods retailer filed for bankruptcy and closed its 26 stores. Shortly afterwards, two Wharton-trained brothers, Brent and Blake Sonnek-Schmelz, bought City Sports' intellectual property rights at a bankruptcy auction for $400,000.

Most recently, the company has begun selling merchandise on its website, reported Boston Business Journal. And it also plans to open stores in large cities including Boston, New York, Philadelphia and Washington, D.C.

According to Boston Business Journal, the company said, "Our focus on serving the urban athlete remains as strong as it was in 1983 when two friends opened a small store on Massachusetts Ave."

http://www.chainstoreage.com/article/shuttered-sporting-goods-retailer-back-business

Victoria's Secret and Nike Rank Among Top Brands for Millennials

Millennial shoppers are reaching their prime spending years, and Generation Z isn't far behind. That has brands scrambling to curry favor with young consumers.

So far, the companies doing the best job are Victoria's Secret, Sephora and Nike, according to a report from Conde Nast Inc. and Goldman Sachs Group Inc. They ranked highest in a study, which measured the popularity of brands among younger U.S. shoppers.

A key contributor to the companies' success is their online presence, researchers found. Among men, Amazon.com was voted the favorite retailer across all categories, and it was the top shopping app for women.

"These next generation consumers were born with their phones in their hands, they're addicted to technology and expect a level of efficiency and immediacy in everything they do," Pamela Drucker Mann, chief marketing officer of Conde Nast, said in an email. "Looking at what they're doing is like a preview for all shoppers."

Companies are increasingly working to make it easier to shop seamlessly online. That will serve them well as more than one-third of U.S. apparel shopping is conducted online, according to the study, which looked at trends in fashion, retail and beauty categories based on a national sample of 2,345 U.S. consumers ages 13 to 34. It was conducted from Nov. 22 to Dec. 15.

RANK	BRAND	FAVORABILITY
1	Victoria's Secret	56.6%
2	Sephora	38.0%
3	Nike	29.7%
4	Coach	13.4%
5	Kate Spade	13.3%
6	Michael Kors	12.7%
7	Ulta	12.7%
8	Lululemon	11.8%
9	DSW	11.0%
10	Nordstrom	10.0%

Source: Conde Nast Inc., Goldman Sachs Group Inc.

Traditional retailers are touting their e-commerce efforts whenever they can. Victoria's Secret parent L Brands Inc. brought up the "online" topic 12 times during its February earnings call.

Athletic apparel maker Lululemon Athletica Inc., which ranked eighth on the list, has said beefing up its online business is a priority for the months ahead.

"We will continue executing the immediate and longer-term strategies in place to accelerate our e-commerce growth," Chief Executive Officer Laurent Potdevin said on an earnings call last month. That will include expanding the online product assortment and launching a new mobile app, he added.

As for Amazon, the e-commerce giant was the study's overall "Most-Loved Brand," placing in the top 10 across all fashion categories.

https://www.bloomberg.com/news/articles/2017-04-19/victoria-s-secret-and-nike-rank-among-top-brands-for-millennials

Be Informed: Subscribe to Your Local Newspaper

You're obviously an engaged global citizen, brimming with style and taste. (You're reading Umbra, after all.) Maybe you pore over the Times or the Post while sipping your morning coffee. Or, more likely, thumb through their apps on the train to work.

But what about local media? Have you given much thought to the newspapers, radio, and TV stations based right in your community? Local journalism is critical for democracy and the planet — and it's dying. So subscribe to your hometown paper — or consider it as a gift for a friend or family member. Here's why.

Big, important news isn't always sexy — or obvious — at first.

We need boots on the ground, reporting day-in and day-out from city councils, zoning meetings, school boards, and regional planning authorities, to catch the seeds of something huge. There are way too many towns for even the best national newspaper to keep an eye on. In Flint, Michigan, local journalists broke the story of the town's poisoned water supply a year before the big outlets picked it up, and almost two years before the governor declared a state of emergency.

A reporter at a 10-person Iowa newspaper just won a Pulitzer for editorials calling out the likes of Monsanto and the Koch brothers over a local water pollution case.

After catastrophe (and often, before), local reporters are on it.

In New Orleans, the Times-Picayune published a whole series warning that coastal Louisiana (and its levees) were vulnerable to a major hurricane — three years before Katrina.

And in West Virginia, the Charleston Gazette-Mail's two-part 2016 series turned a critical eye on out-of-state drug companies and pharmacies that helped fuel an overdose epidemic. The paper's investigative reporting led to a bill, under consideration now, demanding greater oversight by the state pharmacy board.

Local reporters hold the people in power accountable.

This year, the Times-Picayune will keep watch as BP begins to pay for the massive 2010 oil spill in the Gulf of Mexico, says reporter Kristen Hare, who writes about the present and future of local news for the Poynter Institute in St. Petersburg, Florida. (You can find her new weekly newsletter here.) Louisiana will launch a $50 billion coastal restoration plan with that cash, and the T-P will cover it with four full-time environmental reporters.

"The very act of knowing you're being watched often has the impact of encouraging good behavior," Hare says.

Watchdogs are awesome, but you've got to feed them. As important as the hometown shoe-leather might be, the little guys are hurting. Hundreds of newspapers have closed in the last 10 years. Why? Because papers make their money from print sales, and now we have a little thing called the internet. Nobody wants to pay for their news anymore. (This is a much-simplified version of what's killing local news, of course. Here's a deeper analysis.)

But damn, we should pay for news. As print advertising dries up, reader subscriptions (which used to be only a small part of news revenue) are quickly becoming "the bedrock" of the business, says Joshua Benton, director of Harvard's Nieman Journalism Lab.

American newspapers once brought in about 20 percent of their revenue from readers. Now, mainly due to falling advertising rates, that number is near 60 percent for The New York Times. Readers keep the presses hot today.

So put your support behind local news, and then, get reading. Which local outlet should you choose? The one you'll read, or watch, or listen to. It's not enough to give your money, Hare says. You've got to dig in and stay informed, too. Information leads to action.

http://grist.org/guides/umbra-apathy-detox/be-informed-subscribe-to-your-local-newspaper/

Breaking News: Print is Alive and Well

Print is still alive and well, which is great news for me. Can you believe that the newspaper industry is having a huge uptick in subscriptions? Granted, that includes digital versions as well as printed newspapers. However, according to a Nielsen Scarborough study, more than 169 million U.S. adults now read newspapers every month, in print, online or mobile. That's a huge part of our population! Last November, the New York Times picked up about 130,000 new subscribers. The Washington Post is adding 60 newsroom jobs and NPR reported late last year that "Big Newspapers Are Booming."

What gives? Well, besides the fact that some online ads are just plain terrible and the revenue they generate is not consistent, what else could be causing this? Could it be that consumers are tired of seeing "fake news" or stories and headlines that are produced mostly for clickbait purposes, or could it be the annoying, constant bombardment of pop-up and banner ads they have to contend with while reading online content? (My personal pet peeve is the time it takes to load a site with 100 ads on it.)

Certainly given the time of the spike, the presidential election can take some credit for this rise in subscriptions, but it's not really about politics. Most signs point to the dismissal of online ads as the biggest reason that subscriptions are continually climbing.

It's not just the news media though, because all kinds of reader-supported publishers have been seeing a revival. All of this points to overwhelming evidence that the ad-driven publishing model isn't working anymore. Consumers want high quality content without having to deal with distracting advertising, and concurrently, companies want their marketing dollars spent wisely with personalized communications and measurable results. This is why more and more companies are turning to direct marketing and print to make a big difference in their marketing ROI.

Guess what? Direct mail doesn't have annoying pop up ads.

The thought of taking customer data and transforming it into targeted materials that produce attention-getting results gets me excited to get out of bed in the morning. Really -- I'm being serious! Not only can we get the message across quickly with highly personalized printed pieces, but also our customers can ensure their data remains safe and confidential.

There are genius ways of combining some of those online ads with print, but I'll save those thoughts for another week.

https://www.linkedin.com/pulse/breaking-news-print-alive-well-katie-kriemelmeyer?trk=v-feed&lipi=urn%3Ali%3Apage%3Ad_flagship3_feed%3BRb3j8KflbVrDfGoJHsqRmA%3D%3D

Longtime Target Exec to Leave

Target Corp. is losing a senior digital executive.

Casey Carl, chief innovation and strategy officer, is leaving the retailer, effective May 5. His departure, first reported by The Minneapolis Star-Tribune, comes as the chain has been reducing some of its innovation initiatives, including a store of the future with robots, to focus on efforts that have a faster payback.

Casey joined Target in 1997, and held a variety of roles in merchandising, negotiations, operations and digital. Prior to being named to his current position, he was president of omnichannel and senior VP of enterprise strategy.

Target CEO Brian Cornell announced Carl's upcoming departure in an e-mail to headquarters employees.

"Innovation is alive and well at Target," Cornell wrote. "Our new leader's job will be to build upon the progress we've made. And while this leader will play a critical role in Target's innovation story, it's not a story they will write alone. Innovation must be a mind-set, an essential component of every business, every strategy and every team."

Carl is credited for such projects as Target Open House in San Francisco, which showcases smart technologies in a futuristic home-like setting, and Target's retail accelerator program, done in partnership with Techstars.

In his own email to employees, Carl wrote that he hopes to continue to explore disruptive strategies for growth and innovation, the report said.

“It's no secret that there's been a lot of change recently at Target and this is the right time for me to pursue what I'm most passionate about and builds upon what I've started here," he wrote.

http://www.chainstoreage.com/article/longtime-target-exec-leave

Could Kroger Have Interest in Whole Foods?

Sprouts-Albertsons? Meet Kroger-Whole Foods.

A marriage of conventional giant Kroger Co. and natural/organic heavyweight Whole Foods Market could address perceived weaknesses of both companies and strengthen the combined entity to compete in a food retail market undergoing rapid structural change, a financial analyst said Thursday.

Although highly speculative, a merger of the retailers “makes more sense than appreciated,” Edward Kelly, an analyst for Credit Suisse, argued in a research note published Thursday. The possibility of such a deal would appear to be heightened by last week’s news that activist investors led by Jana Partners have taken a position in Whole Foods. Jana, in its 13-D filing, said it intended to convince Whole Foods’ management to be more open to mergers than it has historically been, among other recommendations.

There was no indication Kroger or Whole Foods have discussed such possibilities internally or with one another. Whole Foods in a statement last week said it was open to investor suggestions but did not address Jana’s points specifically. A Kroger spokesman did not immediately respond to SN’s calls for comment.

The Credit Suisse report also comes on the heels of published news reports suggesting Kroger’s conventional rival Albertsons Cos. was looking into the possibility of a merger with Whole Foods’ counterpart, Sprouts Farmers Markets. Those companies have not commented on the story, which was reported by Bloomberg late last month.

The speculation around mergers comes at a time when the outlook for food retail has darkened amid concern of structural changes that could take down margins and returns permanently. Beset by deflation, perceived “overstoring,” intensifying competition from discounters and by the threat of internet retail, supermarket sales have fallen and promotions have increased. Kelly on Thursday said that outlook “is unlikely to improve much from here.”

In this environment, a merger of Kroger and Whole Foods "would marry each company's strengths with the other's weaknesses, unlock massive cost synergies… help Kroger expand its customer base and possibly provide the growth format it has been eager to develop."

Whole Foods stock, which jumped last week upon the Jana news, shot up again Thursday and was trading at its highest levels since the summer of 2015. Investors have been down on the company as sales have fallen due in part to moves by conventional operators like Kroger growing share of natural and organic foods; a perception of high prices; and the expectation that profits would suffer through efforts to address those sales and pricing challenges.

"We have been big advocates of the turnaround opportunity at Whole Foods for some time, but we also believe the market underappreciates the potential to unlock value through a sale to a strategic buyer," the analyst said. "Kroger seems particularly well-positioned to bid for this still high-quality asset."

For Kroger, a deal would provide a new trajectory after a 13-year run of continuous quarterly same-store sales improvements that ended last quarter. The Cincinnati-based company "has reached a crossroads in its strategy," Kelly argued, losing momentum due to an easing of price investments in recent years while competitors like Wal-Mart Stores invested heavily in stores and prices. A return to more aggressive price investment, which appears to be underway, is likely to be costly, he added.

Kroger officials have typically said they believe consolidation is a long-term trend and that it was particularly interested in those transactions that could enhance its core business through new expertise, such as its acquisition of Harris Teeter. Kelly's analysis included a long list of areas that the retailers could help one another: Kroger, for example, could benefit from Whole Foods' prepared foods and shopping experience expertise, while Whole Foods would gain an industry-leading shopper affinity program and needed improvements in operations and private label, he said.

Kelly estimated the combination could generate more than 3% of Whole Foods sales, or $400 million to $600 million in savings. A purchase price of $40 to $45 per Whole Foods share — or a range to $12.7 billion to $14.3 billion — could still create value for Kroger shareholders, Kelly added.

http://www.supermarketnews.com/retail-financial/could-kroger-have-interest-whole-foods

Yahoo's Demise Is a Death Knell for Digital News Orgs

Yahoo filed its final quarterly report this week. And just like that, the once-mighty tech firm is exiting public trading.

The company has been unraveling—slowly and spectacularly—for more than a decade now. But this particular moment is a good one for reflecting on how Yahoo's troubles are likely to be replicated in a wave across the web, and soon, among businesses like news organizations that rely heavily on advertising revenue for their survival.

Print newspapers will continue to fold, but Yahoo's demise is a signal that web-native companies are next. If you run a business that relies on digital-advertising revenue for an outsized portion of your funding, you need to find new streams of revenue. Now. It may already be too late.

Unless you're Facebook or Google, that is. Facebook and Google are practically drowning in ad revenue—together they command a huge portion of global digital-ad dollars—and that's the root of the problem for every other business trying to clamor for a piece of it. The precise estimates vary. One often-repeated stat, based on last year's financials, is that Facebook and Google account for 85-percent of every new dollar spent on digital advertising.

But the numbers may be even more stark than that. Jason Kint, the CEO of Digital Content Next, estimates that Facebook and Google accounted for about 99 percent of all advertising growth in the third quarter of 2016—54 percent of the pie for Google, 45 percent of it for Facebook, 1 percent for everybody else. (That's based on numbers from the each company's public financial records and data from the Interactive Advertising Bureau, a trade group for advertisers.)

For everyone other than Facebook and Google, Kint tweeted in December, it's a "zero-sum game."

Many investors have reached this conclusion, too. “The ad-tech market will go the way of search, social, and mobile as investors and entrepreneurs concede that Google and Facebook have won and everyone else has lost,” the venture capitalist and blogger Fred Wilson wrote in January. “It will be nearly impossible to raise money for an online advertising business in 2017.”

Though Yahoo’s failures were multi-faceted, the company’s fundamental problem was that it could not figure out a way to command a significant enough piece of the advertising money that is increasingly rushing to Facebook and Google.

It seems preordained now, having watched Yahoo stumble for so many years, but there was a time when Yahoo was much bigger than either company. It is true that Yahoo was “never able to decide on exactly what it wanted to be,” as Jonathan Weber and Jeffrey Dastin put it for Reuters last year. Perhaps if it had committed to search, for instance, it could have fended off Google. And remember Yahoo’s failed attempt to buy Facebook for $1 billion in 2006? Instead, Verizon’s deal to buy Yahoo is expected to close in June, at which point Yahoo and Verizon-owned AOL will become a new brand called Oath.

One particularly telling detail in the recent Associated Press coverage about Yahoo “bowing out as a public company” is the fact that it was at least partly automated—meaning elements of the story were generated by a computer. One way for today’s ad-based companies to survive: replace humans with machines.

Way back in 1995, Yahoo seemed destined to establish a successful ad-based business model for the internet era. Back then, the company was still just a directory of sites on the web. And in July of that year, Yahoo announced that “it had signed five initial sponsors as part of a plan to redesign the service and become advertiser-supported,” as The New York Times reported at the time.

What that meant was that the logos of the five sponsors would appear, as part of a daily rotation, at the top of Yahoo’s site—primitive banner ads. At the same time, Reuters announced it had signed a deal with Yahoo to feature news on Yahoo’s site in exchange for a piece of the ad revenue coming in.

All this seemed to be the first hint at what was to come, an idea of how the web might carry advertising-based businesses like news organizations into the online age.

But the picture is much different now. Today, Facebook and Google alone are slurping up the ad dollars, neither company pays for the news it features (despite occasional partnerships with news organizations), and Yahoo as we knew it has all but vanished.

It won’t be the only web giant to fall.

https://www.theatlantic.com/technology/archive/2017/04/yahoos-demise-is-a-death-knell-for-digital-news-orgs/523692/?utm_source=Daily+Lab+email+list&utm_campaign=21e8f8d41f-dailylabemail3&utm_medium=email&utm_term=0_d68264fd5e-21e8f8d41f-396111865

Publishers are Seeing Another Big Decline in Reach on Facebook

The Facebook anguish continues. A Medium post investigating declining Facebook reach has set off the most recent alarm bells among publishers. Kurt Gessler, deputy editor for digital news at the Chicago Tribune, posted that since January, the Tribune has seen a significant drop in the reach of its posts on Facebook, despite having grown its fan base.

The post sparked a sigh of validation across publishers as others chimed in on social media that they’re seeing similar declines.

Facebook’s news feed algorithm changes have been part of publishing reality for many years. But to Matt Karolian, director of audience engagement at The Boston Globe, “last month was probably the worst we’ve had in reach in about a year. The fact everyone else is seeing it is a little bit troubling.”

Aysha Khan said Facebook reach has also been sliding at the Religion News Service, where she's social media editor.

“Reach spiked in the summer, and we started hitting 15, 25K reach on bigger posts that were polarizing,” Khan said. “It wasn't just political posts, but any kind of interviews. Anything that had potential to get a big reaction got a big reaction. But then we noticed that kind of stopped, and by January, it was just gone. Now we're worse off than we were to start with.”

The change has happened even as RNS has been doing more video, including live video, and photos, things that Facebook has encouraged. Khan said RNS is still trying, though, with plans for more regularly scheduled live video and videos generally.

There are so many factors that go into how much reach a post gets, from the frequency of said posts to the subject matter to the levers Facebook is pushing, so theories about the declines abounded. One was that the decline was local to Chicago. Other publishers in other markets reported the same trend, though.

Brandon Doyle, CEO and founder of Wallaroo Media, a social media consulting firm, said he's seen declining organic reach in the first quarter across about 20 publishers he tracks. He speculated that Facebook is suppressing publishers' organic reach so publishers will spend more with Facebook to promote their posts. Facebook also could be in the middle of another algorithm tweak that it's yet to announce publicly, he said.

Other popular theories were that Facebook's preference for video over text posts and for publishers that are using its Instant Articles format over regular links is disadvantaging some. Facebook hasn't responded to a request for comment.

Others wondered if reach is declining for some because people are getting tired of reading about politics (“I know people who have literally unliked all the news sources they used to follow pretty religiously — maybe Facebook is responding to that,” Khan said) or Trump is raising the bar for news.

Lifestyle sites offered some evidence of these theories. LittleThings has been pushing hard into video, and March was its second-highest traffic month of all time, which reflects continued strong Facebook referral traffic, said Joe Speiser, co-founder of LittleThings. (LittleThings also attributes some of its success to A/B testing on Facebook, a step he says many don't do.) “Facebook's made very clear video is a priority,” he said. “You can go through the feed yourself. Video is everywhere.”

Thrillist chief creative officer Ben Robinson said he thinks that Thrillist's recent emphasis on video has helped lead to an all-time high in Facebook referrals, along with the adoption of Instant Articles. While a lack of political coverage hurt the site during the run-up to the election, he said it may be seeing the flip side of that now.

In a follow-up email, Gessler said he's working with Facebook to try to figure out what's going on, but that he didn't think the decline was related to politics news burnout or the Cubs' World Series win and post-series lull. The shift seems too big to just chalk up to stories' subject matter, he said.

“Maybe it's a little of everything,” he concluded in his post.

Whatever the reasons, the post brought a fresh round of soul-searching and hand-wringing over the hold Facebook has over publishers' audience. “There's a large segment of the population that gets most of its news from Facebook,” Karolian said. “If there's been an overall decline in high-quality news that's circulating on the platform, that is generally concerning from a philosophical standpoint.”

If it's true that Facebook's preference for video is a factor, few publishers are equipped make the switch to video, nor is it clear that they should try to make a hard shift to a medium they're inexperienced in and which most publishers can't monetize on Facebook anyway. And just doing more video perpetuates publishers' dependence on Facebook, which can change its algorithm again at any time, as it's done many times in the past.

To some, the issue points to the need for publishers to diversify their audience sources through search, direct traffic and newsletters, while others registered resignation.

“In my mind, we’re kind of at the mercy of the algorithm,” Khan said. “But there’s a lot of stories that are getting underwhelming responses that readers can’t even see. It is this constant thing, trying to figure out how to incorporate it into your workflow. At one point they were pushing images, and then they were pushing video, and live video. I don’t think it’ll ever stop.”

http://digiday.com/media/publishers-seeing-another-big-decline-reach-facebook/?utm_medium=email&utm_campaign=digidaydis&utm_source=daily&utm_content=170420

Gannett (GCI) AcquiresSweetIQ Analytics

Gannett Co., Inc. (NYSE: GCI), announced today that it has acquired SweetIQ Analytics Corp. ("SweetIQ”), expanding the ReachLocal digital marketing suite of products. SweetIQ is a leading provider of location and reputation management Software-as-a-Service (“SaaS”) solutions that enable businesses to manage their location data and measure consumer engagement. The acquisition accelerates the company’s product roadmap and enhances its ability to help businesses measure results of their digital marketing investments. SweetIQ is headquartered in Montreal, Quebec and has a sales office in Irvine, California.

The acquisition marks an important milestone in Gannett’s digital transformation, and follows Gannett’s announcement earlier this year that it has launched a phased rollout of ReachLocal to its 109 local markets. “SweetIQ’s advanced technology, analytical expertise and experienced team will deliver significant value to our local and national clients,” said Bob Dickey, chief executive officer of Gannett. “As we roll out ReachLocal’s digital marketing services across the USA TODAY NETWORK, SweetIQ will play a pivotal role in helping our clients achieve superior returns on their digital marketing investments.”

“Businesses want to work with one company that they can trust to help them with all of their digital marketing efforts,” said Sharon Rowlands, chief executive officer of ReachLocal. “This acquisition adds strong product offerings in local listings and reputation management to our suite of digital marketing solutions and strengthens our value proposition with multi-location and national brands. By adding SweetIQ to our portfolio, we can further provide our customers with data-driven insights that drive real-world results.”

“We are thrilled to join the Gannett and ReachLocal team,” said Mohannad El-Barachi, chief executive officer of SweetIQ. “Since inception, we have had an unwavering commitment to solve online-to-offline attribution and help businesses better connect with hyper-local consumers. By leveraging Gannett’s and ReachLocal’s large salesforces and their deep relationships, we will be able to quickly expedite reaching these goals and further propel our rapid growth, cementing our position as a market leader in location and reputation management.”

SweetIQ’s customers include hundreds of Fortune 500 brands and local businesses across the United States and Canada. Its technology integrates with all major online directories to help customers manage addresses, hours of operation for their store locations and other information, as well as consumer reviews in a single place through the SweetIQ dashboard.

https://www.streetinsider.com/Corporate+News/Gannett+%28GCI%29+AcquiresSweetIQ+Analytics/12798231.html

A Facebook Bot Purge Clobbered USA Today, and no one Knows why

USA TODAY LAST WEEK REPORTED that Facebook was breaking up an “extensive fake account scam” targeting publisher pages with false “likes.” The ruse apparently was intended to yield the scammers more friends they could later spam, and USA Today added that it was “among the publishers impacted.”

Not included in its report was the fact the news organization was the central target of the scam, which decimated USA Today’s topline Facebook metrics. Whereas some other major outlets saw follower counts dip by hundreds of thousands of “likes” following Facebook’s bot purge, USA Today’s main page lost an estimated 5.8 million such followers between April 13 and April 15, according to CrowdTangle data. It slashed the page’s following by more than a third, and it came in addition to massive decreases in “likes” at other USA Today-affiliated pages, such as USA Today Sports.

Taken together, the Virginia-based news organization saw its collective Facebook follower total plummet by nearly 12 million essentially overnight. The army of fake accounts was more than double the number of "likes" on The Washington Post's main page.

A USA Today spokeswoman did not confirm that final number, citing Facebook's ongoing effort to delete fake accounts from publishers' rolls. Representatives from both parties say it remains unclear why USA Today was affected so heavily relative to other publishers of comparable scale.

The news organization hasn't seen a drop-off in Facebook engagement since the cleanse, a USA Today spokeswoman adds, a conclusion CrowdTangle data supports. "But obviously we're playing closer attention now to all the activity on our pages," she says.

The purge of such accounts culminated a six-month effort by Facebook to combat the scam, which routed faux profiles through Bangladesh, Indonesia, Saudi Arabia, and other countries. "We observed that the bulk of these accounts became dormant after liking a number of Pages, suggesting they had not been mobilized yet to actually make connections and send spam to those people," Shabnam Shaik, a technical program manager at Facebook, wrote on the company's security blog on April 14.

"As we remove the rest of the inauthentic likes, we expect that 99 percent of impacted Pages with more than 10,000 likes will see a drop of less than 3 percent," Shaik wrote.

Indeed, no other publisher approached USA Today-affiliated pages in either total "likes" lost or the proportion of followings snuffed out. Using CrowdTangle, here's what we were able to glean:

The USA Today spokeswoman told CJR that they flagged the issue for Facebook after noticing an unusually large uptick in followers from the aforementioned countries. "Since we first brought this issue to Facebook's attention, we have been in close communication with them and look forward to a swift solution that prevents this illegitimate activity from happening on our Facebook page in the future," Maribel Wadsworth, Gannett's chief transformation officer, told USA Today Friday.

The tech giant has come under fire in recent months for providing publishers and advertisers faulty metrics to evaluate audience reach. In September, Facebook apologized for long overestimating the time users spent watching videos. After additional measurement discrepancies were uncovered over the following months, it pledged to undergo an audit by the Media Rating Council, an industry watchdog.

While USA Today's horde of fake followers did not appear to "like" or comment on posts at a significant clip, the presence of so many of them could serve to muddle the rate at which the audience was engaging with content. The massive bot ring resurfaces a major issue: Publishers have few ways of learning what the individual readers behind their aggregate numbers look like. What's more, which Facebook users even see publishers' posts is left up to the tech giant's elusive algorithm.

That confusion comprised the thru-line of a Medium post published Monday by Kurt Gessler, deputy editor for digital news at the Chicago Tribune. Since January, the news organization's social team has noticed a precipitous drop-off in the reach of its Facebook posts, and it has no idea why. Gessler writes:

So here we are. The data show that we are having the fewest number of our most successful posts and the most of our least successful at a time when our strategy hasn't significantly changed and our fans have grown.

So, is anyone else experiencing this situation, and if so, does anyone know why and how to compensate? Because if 1 of 3 Facebook posts isn't going to be surfaced by the algorithm to a significant degree, that would change how we play the game.

https://www.cjr.org/business_of_news/facebook-usa-today.php?utm_source=Daily+Lab+email+list&utm_campaign=21e8f8d41f-dailylabemail3&utm_medium=email&utm_term=0_d68264fd5e-21e8f8d41f-396111865