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LEVELING YOUR SUPPLY CHAIN OR LEVELING YOUR COMPETITION

“Christmas in July”

RALEIGH, NC – Here at Tompkins International we like the idea of Christmas in July. July is a slow sales month (after the summer season but before the Back-To-School season) and often retail supply chains are slow. So, boosting sales in July is a good idea and a July promotion may not only increase sales, but also offer an opportunity to clear out merchandise before products begin to arrive for the holiday season, leveling supply chain operations.

On July 6th, when Amazon announced that it would celebrate its 20th birthday by having Amazon Prime Day, with “more deals than Black Friday”, “Christmas in July” definitely comes to mind.

Amazon does not use “Christmas in July” but frequently mentions “Black Friday” as the single most important day for retailers in the US. In most people’s mind Black Friday is associated with Christmas and, so the Christmas in July handle is not a stretch. Of course, since Amazon Prime Day is a self-created selling holiday, the comparisons to Alibaba’s annual Singles Day promotion on November 11th have begun as have the comparisons to the JD.com Anniversary sale on June 18th.

What makes this really interesting is that on July 13th Walmart entered the game by announcing that they will also offer thousands of discounts for online purchases, as well as some “special atomic deals” on July 15th. Next, Fernando Madeira, the Chief Executive of Walmart.com, wrote in a blog, “We’ve heard some retailers are charging \$100 to get access to a sale. But the idea of asking customers to pay extra in order to save money just doesn’t add up for us. We’re standing up for our customers and everyone else that sees no rhyme or reason for paying a premium to save.” Then, to really double down, Walmart announced that customers will receive free standard shipping with online purchases that cost a minimum of \$35, instead of the usual \$50. The shipping change will be in effect for at least 30 days and typically Walmart’s discounts last for 90 days. This is Walmart’s attempt at leveling Amazon.

Wait, it gets better. Shortly after the Walmart punch, Amazon Prime's Vice President, Greg Greeley, took a counterpunch by saying, "We heard some retailers are charging higher prices for items in their physical stores than they do for the same items online. The idea of charging your in-store customers more than your online customers doesn't add up for us, but it's a good reminder that you're usually better off shopping online."

Of course, several other retailers are offering "Christmas in July" type of promotions, but it is not about the promotions, it is about the level of intensity between Walmart and Amazon. The question then is, "is there more to this than the usual competitive nature of major corporations fighting for their turf?" The answer is clearly "YES". In fact, we all should look at the deals on Walmart and Amazon on July 15th. Whatever the deals were going to be as of Sunday night, the deals will have gotten a lot better by the time the clock hits midnight on July 14th. In fact, we believe the deals will get better as we move through Wednesday. Neither Amazon nor Walmart want to finish in second place on July 15th. But, herein lies one of the important facts about the Walmart and Amazon Black Friday promotions in July: Amazon and Walmart measures of success for July 15th are seen as drastically different. Walmart wants to win the crown as having the best deals and selling the most. Amazon wants to win the crown as having the best deals and signing up the most new Prime members. So, the fact is neither Walmart nor Amazon will be in first place. The customer that shopped on July 15th will be in first place. There will be some very, very good deals. Then there will be a tie for second place with both claiming a victory over the other, but we doubt either Amazon or Walmart will have a very profitable day.

Understand, the 2015 version of "Christmas in July" has less to do with leveling the supply chain and more to do with attempts to level the competition. Neither Amazon nor Walmart will come close to matching the one day online sales of Alibaba on Singles Day (11/11/2014 at \$9.3 Billion) but they both will advance their strategy. We think Walmart's July promotion strategy is to be a significant player online and that Amazon's Prime Day strategy is to grow Prime. Both will do this, but at a cost. So, as we get into next week we will see the results of July 15th and as we begin the next quarter, we will see the impacts of July 15th on the bottom line. Then we will reflect on the bigger picture and see the intensity between Walmart and Amazon continuing to grow as the importance of supply chain continues to grow and the future of retail continues to evolve.

All of the information is the result of Tompkins International's research of public information. There is no information being presented today that comes from any proprietary source. Tompkins International does not discuss information about their clients unless that information has been published.

About Tompkins International:

A supply chain consulting and implementation firm that maximizes supply chain performance and value creation. We enable clients to be more profitable and valuable, while also becoming more agile, flexible, and adaptive to the marketplace. Tompkins collaborates with client teams to develop improved operations strategies, supply chain planning, and execution across all the Mega Processes of supply chains (PLAN-BUY-MAKE-MOVE-DISTRIBUTE-SELL). Tompkins is headquartered in Raleigh, NC and has offices throughout North America and in Europe and Asia. For more information, visit: www.tompkinsinc.com.

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