

E-COMMERCE

Amazon Might Be the Best Thing to Happen to Kohl's. Here's How Their Partnership Has Paid Off

Foot traffic is up a reported 24 percent in the 3 weeks since all Kohl's stores started accepting Amazon returns. 🔗

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Getty Images

Conventional wisdom says Amazon is largely responsible for the problems facing major retailers. Not only do I

think that's untrue, in the case of Kohl's, Amazon has actually helped the retailer to increase foot traffic in its stores by 24 percent since the end of July. That's when Kohl's started accepting Amazon returns at all of its 1,158 department stores.



In case you missed it, if you purchase something on Amazon.com and need to return it, you can simply print a return slip and take it with the product to any Kohl's location—no box or shipping pack required. Kohl's will pack it up and send it back to Amazon for you, for free.

As fellow *Inc.* contributor Bill Murphy Jr. wrote earlier this year, the move wasn't without risks for both companies. In fact, Kohl's anticipated the move might result in additional expenses, as staff and floor space are dedicated to handling unwanted Amazon purchases.

But for Kohl's, in the metric it cares about most in evaluating this partnership, the move has been a huge success.

Increased Foot Traffic

See, Kohl's needs people to walk through its doors. It spends millions of dollars every year trying to convince people to do just that. It runs sales, creates marketing campaigns, sends out weekly

ads, and gives away "Kohl's Cash," all to try to drive more people into its stores.

Once people walk through the door, Kohl's has all kinds of ways to convince you to purchase everything from home goods, shoes, coffeemakers, and kids clothing. So increasing foot traffic is a big deal, and is one of the company's best defenses against online sellers, like Amazon.

It makes sense, then, that the company is constantly looking for new ways to drive people into the store. As long as it spends less to get you in the door than the margin it makes on whatever you buy, that's a win.

But with this Amazon deal, the company did something amazing. It increased its foot traffic by almost 25 percent, without doing really anything. At my family's local Kohl's store, they just added a sign to the customer service area where they already handle in-store returns alongside online order pickup. The same staff now also handles Amazon's returns.

In exchange, the company is counting on that increased traffic to translate into an increase in sales. In the company's earnings announcement yesterday, CEO Michelle Glass says "comparable sales were better than the first quarter and improved during the

period, turning positive during the last six weeks of the second quarter with 1 percent growth."

While the company hasn't released specific numbers, market research firm inMarket estimates that many of those people are sticking around beyond the few minutes it takes to walk up to the counter and drop off their Amazon return. As a result, the company beat analysts profit expectations (though it did see an overall decrease in revenue).

A Creative Solution

Here's why this whole thing is brilliant:

Kohl's hasn't exactly been the greatest retail success story lately. In fact, the company only recently started to intentionally target younger generations, and many of its customers only shop based on whatever happens to be on sale.

That's a problem because once your brand is defined by discount pricing, it gets harder and harder to compete. There will always be someone willing to offer something for less— especially online. As a result, fewer people were shopping in Kohl's stores. It was just easier to buy it online.

So, Kohl's identified the one thing it believed would help it grow the business. It needed to get more people coming through the door, and it and was willing to be creative in achieving that goal. Partnering with your largest competitor might seem counterintuitive until you realize you can get your largest competitor to start sending its customers into your store.

That's brilliant.

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