Newsletter for Instructors

April
2020

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

- **What's Really Responsible for the Retail Apocalypse?** **(Chapters 1, 2, 3 & 5)**
- **In Cutting Out Category Captains, Grocers Are Making Their Own Shelf Decisions** **(Chapter 11)**
- **Wrapping AI in a Comfy Quilt of Reassurance and Information** **(Chapter 11)**
- **Target's Latest Target: Store-Based Fulfillment** **(Chapters 6, 9 & 15)**
- **Can Off-Price Clothing Retailers Stay Offline?** **(Chapter 6)**
- **Are Limited Introductions of Sustainable Fashion Really Sustainable?** **(Chapters 5 & 11)**
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Retail Tidbits

- **Working with DVF, MasterCard Seeks to Use Technology to Enhance Brand Engagement**
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- **Amazon Is Testing Just How Fast Delivery Can Be with New Fulfillment Centers**
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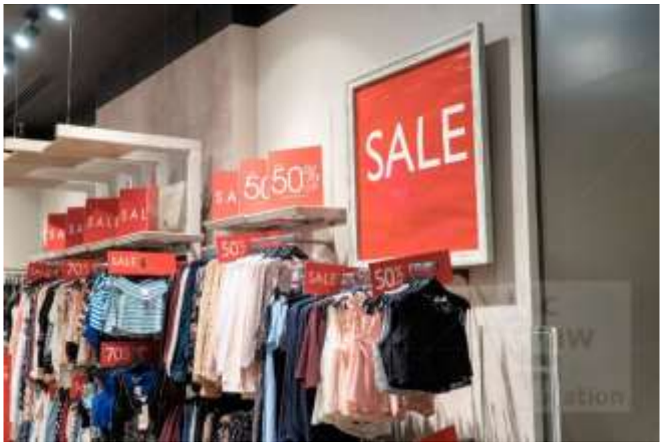
What’s Really Responsible for the Retail Apocalypse?

Austan Goolsbee, “Never Mind the Internet. Here’s What’s Killing Malls,” The New York Times, February 13, 2020.

Use with Chapter 1, “Introduction to the World of Retailing,” Chapter 2, “Types of Retailers,” Chapter 3, “Multichannel and Omnichannel Retailing,” and Chapter 5, “Retail Market Strategy”



In current jargon, the phrase the “retail apocalypse” refers to the vast closures of stores throughout the world. Over the past several years, tens of thousands of physical retail stores have disappeared, including both independent retailers and locations maintained by international chains such as Macy’s (which recently announced it would be closing 125 U.S. stores).

Many analysts—including some of those featured in the abstracts we have offered in the past—place the blame for this apocalypse squarely on the influence of Amazon and its massive effects in terms of expanding ecommerce and online or mobile shopping. But such singular view is misleading; even Amazon, with all its reach and power and sales, cannot bring about such a radical shift on its own. Rather, three other macroeconomic influences provide a better explanation.

First, income inequality is vast and growing. In the United States, the middle class has all but disappeared. Historically though, the middle class represented the main consumers of retail goods. Not only do stores that might have targeted the previously dominant middle class lose their target markets, but the ways in which people with very high and very low incomes tend to spend also reduce the money available to retailers. That is, people at the lowest end of the income spectrum must devote virtually all their earnings to basic necessities, rather than shopping for hedonic goods. People at the highest end of this spectrum have the means to buy more, but they generally do not; wealthy consumers tend to save far more of their money than those in the middle.

Second, even when they do spend, consumers today are increasingly likely to purchase services rather than products. For example, spending on health care services now accounts for an average of 18 percent of people’s income, whereas in 1960, they spent only about 5 percent of what they brought in on such necessary services. Other services, whether they seem more like necessities (e.g., education) or luxuries (e.g., entertainment), similarly account for greater proportions of people’s spending than they have in the past. For retailers, this shift means that people just don’t seem to want what they are selling, namely, products of various types.

Third, the retail industry itself may be responsible for its own demise, in the sense that big box stores have progressively driven out smaller, mom-and-pop offerings that created diversity and distinction in retail settings. Whereas Amazon often takes much of the blame, in reality, large retailers like Costco, Walmart, and Sam’s Club account for more of the growth in sales in recent decades. They also continue to provide products that consumers cannot access as easily or conveniently online, such as gasoline or immediate food purchases.

In some ways, these trends coincide. For example, the growing class divisions are supported by and also support the growth of low-cost retail options like Walmart. Regardless of which of these factors, alone or in combination, drive the closure of stores though, the outcome looks the same: a retail landscape vastly altered by the ongoing apocalypse.

Discussion Question:

1. **What is causing the demise of brick-and-mortar retailers?**

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In Cutting Out Category Captains, Grocers Are Making Their Own Shelf Decisions

Annie Gasparro and Jaewon Kang, "Grocers Wrest Control of Shelf Space from Struggling Food Giants," The Wall Street Journal, February 19, 2020

Use with Chapter 11, "Managing the Merchandise Planning Process"

The sources of expertise and insights about how best to arrange products on grocery store shelves to encourage purchases have changed notably. Whereas once, grocery stores relied on category captains, employed by major consumer goods brands, to make recommendations and design displays, today they often reject such outside influences and instead devise plans on their own, to ensure the greatest benefits for their own sales and revenues.

This shift substantially reflects the enhanced technology available to grocery retailers. Using video surveillance and related technology tools, they can determine the paths that shoppers take in their stores, how quickly they move (known as their "walk rate"), where they look, what kinds of displays grab their attention, and so forth. With all these data, the stores design aisles and end cap displays that ensure the products that provide the highest revenues or the biggest margins are the ones that consumers are likely to see.

In many cases, those promoted products are store brands, such that the grocer can keep the profits within its own corporate organization, rather than sharing the proceeds with a national brand. But grocers' enhanced data-gathering capabilities also inform them about what today's consumers prefer, so some of the highlighted items might come from brands that appeal to those niche demands, such as organic and healthier options. For example, while Bisquick brand pancake mix, owned by General Mills, still might earn more sales, many grocery stores are giving more shelf space to its smaller competitor Kodiak Cakes, which promises a high-protein version of the ready-to-make pancake mix. Consumers are seeking such options, so by making them prominent on their shelves, grocery retailers can encourage sales while also enhancing their own reputation as a place where consumers can find what they want.

Regardless of what they promote though, the grocery retailers are making these decisions independently, which represents a notable change in the practices surrounding shelf space decisions. For decades, category captains hired by big name brands would visit stores on their routes, making recommendations about where and how to organize displays of soups, cereals, and other consumer goods. These recommendations often reflected close, long-standing relationships between the manufacturers and retailers. However, these brand employees likely could not help but exhibit some bias, such that a condiment category captain employed by Kraft probably assigned a better shelf position to Kraft ketchup than to Heinz's versions, regardless of which one would lead to more sales by the retailer.

Another outcome of this shift is a decrease in the slotting fees that retailers once relied on as a steady source of revenue. When category captains made the decisions, they also could dictate how much different national brands should pay the retailer to earn a prime spot on the shelf. When the retailer makes its own decisions, based on what design will prompt the most sales and revenues for it, demanding such fees is less possible. That is, it worries less about how much it can gain from slotting fees and more about how it can ensure enhanced and profitable consumer sales.

The new structure and practices defining shelf space decisions thus rely more on objective data, consumer behaviors, and relatively unbiased technology-based recommendations. They also mean weaker relationships between the manufacturers and the retailers selling their products and the diminishment of slotting fees. The trade-off appears to be worth it though, because the self-reliant trend continues to spread, and category captains continue to lose relevance.

Discussion Questions:

1. **How does grocery retailers' increased reliance on their own sales data affect their category management processes?**
2. **How does it influence the role and functions of category captains?**

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Wrapping AI in a Comfy Quilt of Reassurance and Information

Jacob Gallagher, "Is Artificial Intelligence Good? Clothing Companies Say Yes," The Wall Street Journal, March 16, 2020

Use with Chapter 11, "Managing the Merchandise Planning Process"

A lot of stories about the uses of artificial intelligence (AI) warn of the risks and how it might encroach on people's personal lives. But those cautions can grow overblown, to the point that they forget to acknowledge the various benefits that it also can provide. Accordingly, a recent marketing push by Microsoft goes into great detail in describing how it has enabled a small fashion house called Bode deliver on its charming, comforting promise.

Bode has a unique selling proposition: It collects old quilts, then repurposes them into fashionable, one-of-a-kind coats. The various quilts combined to make a coat represent different styles, regional influences, and periods of time. The uniqueness of their provenance means that being able to tell the specific, unique story of each quilt is essential to their appeal.

But gathering and sharing all the details about each quilt that contributed to each coat represented an impossibly labor-intensive and time-consuming process. In most cases, the founder of the company was the only one with the requisite knowledge to assess each quilt and detail its features. Thus, she regularly had to take hours out of her day to respond to salespeople's questions, before they could make a sale to a retailer considering whether to add the coats to its inventory or even to an individual consumer.

Seeing an opportunity, Microsoft offered to apply its AI capabilities to Bode's production processes. The dedicated application has taken in images of thousands of quilts, to build a sort of database that enables it to identify particular patterns as indicative of a specific quilt design. For example, Log Cabin motifs were common in mid-century quilts, so the AI tool combines various pieces of input data to determine if a particular scrap being sewn into a new coat actually comes from an authentic Log Cabin quilt. With this information, the company's salespeople can tell a compelling story about each coat they aim to sell.

It also helps with inventory efforts. Bode maintains a vast warehouse of antique quilts, which are relatively difficult to organize. By integrating the AI into its warehouse operations, Bode can quickly locate quilts that have certain characteristics that its customers seek in the coats they order.

This partnership notably did not involve any payment. That is, Microsoft did not pay Bode for the right to mention it in advertising for its AI, nor did Bode pay Microsoft to receive the technology. But both sides clearly benefit. Bode has vastly increased the efficiency of its production and sales processes, as well as creating more time for its founder to focus on other strategically important tasks. Microsoft has gained a means to advertise its AI using comforting images, involving a scrappy small business, an innovative fashion trend, and the cozy notion of handmade, antique quilts.

This partnership is not the only one between tech firms and fashion houses of course. For example, chatbots on Levi's ecommerce sites encourage consumers to select certain styles; the machine learning company Edited offers fashion retailers reports about which styles, colors, and design features are trending. But the Microsoft–Bode connection is notable for the way it demonstrates how an analytical, cold, data-driven machine technique can make a comforting, nostalgic, personalized story come to life in a retail setting.

Discussion Question:

1. **How are fashion retailers using artificial intelligence?**

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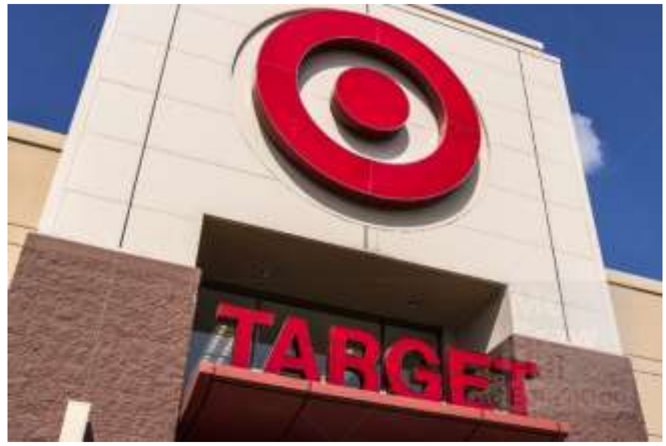
Target's Latest Target: Store-Based Fulfillment

Emma Cosgrove, "Target's Tech for Store-Based Fulfillment Operations Is Ready to Scale," Retail Dive, March 5, 2020

Use with Chapter 6, "Financial Strategy," Chapter 9, "Information Systems and Supply Chain Management," and Chapter 15, "Human Resources and Managing the Store"



One of the key resources that Target has at its disposal is its vast network of physical stores. Yet some arguments suggest that these assets are problematic, in that they increase the company's unavoidable or sunk operational costs, compared with the costs borne by purely ecommerce retailers. In Target's strategic view though, the best option is to embrace them as assets that it can leverage in multiple ways to enhance its competitive positioning.

Beyond serving their essential functions, as places consumers can visit to try, purchase, or return items, Target stores also promise to become fulfillment centers that serve ecommerce markets more effectively than is possible by retailers without physical store locations. Orders placed online thus would be fulfilled by stores local to the purchaser, rather than dispersed and shipped from some distant distribution center.

Some key figures suggest how this operational and supply chain design might work. Specifically, approximately 80 percent of ecommerce sales get fulfilled by stores, and of those sales, nearly one-quarter involve in-store pickup options. Consumers place their order, perhaps on their lunch break, then swing by the store on their way home to pick up the items, quickly and conveniently. Thus, the stores are not subjected to any relevant shipping or packing costs; employees simply bag up the items for shoppers to grab and go. By using stores to in this way, Target was able to decrease its per unit fulfillment costs by 25 percent.

The rest of the sales involve shipping costs, including the box and the payment to a logistics operator to pick up the packed items. These costs may limit the efficiency of the in-store efforts, because each store needs to work with a shipper, rather than everything leaving from a central location such as a distribution center.

To ensure that the balance falls in its favor, Target is seeking other areas in which it can ensure the efficiency of its novel supply chain. For example, product deliveries to each store get sorted by a robotic system that organizes and places item into a box dedicated to a particular aisle. Thus, when it is time to restock store shelves, the items already are sorted according to the store's design, which makes the process more efficient. It also facilitates integrated inventory operations across in-store and delivery options, such that whether store employees are looking to pick items for shipping or to replenish shelves, they know precisely where to find the needed items.

Achieving these operational innovations is not cheap though. Target estimates that redesigning all its stores to support these varied fulfillment and supply chain efforts has cost it around $4 billion over the past three years.

Discussion Questions:

1. **How do the key financial ratios discussed in Chapter 6, (gross margin, inventory turnover, operating expenses/net sales, net profit margin, asset turnover, and return on assets) change if Target fulfills online orders from its stores versus distribution centers?**
2. **How is the in-store customer experience different when in-store online fulfillment is operational?**
3. **Should Target fulfill online orders from store inventories?**

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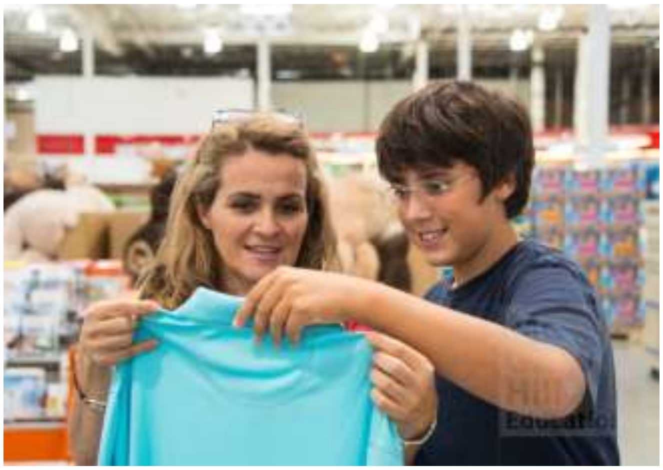
Can Off-Price Clothing Retailers Stay Offline?

Daphne Howland, "The Problem with Selling Apparel Online," Retail Dive, March 11, 2020; Ben Unglesbee, "Burlington Exits E-Commerce to Focus on Brick and Mortar," Retail Dive, March 6, 2020

Use with Chapter 6, "Financial Strategy"



There are some things that shoppers just can't do online. And then there are some other things they may do too much of when they shop online. The combination of those factors gives some retailers that prioritize lower price points, such as Burlington, TJ Maxx, and Ross Stores, sufficient reason to buck ecommerce trends and make the strategic decision to limit their operations to offline channels.

Although many of these companies have experimented with online stores, the results have not been particularly appealing. For example, online sales accounted for just 0.5 percent of Burlington's total sales. They provide slightly more for the TJX corporation (which owns TJ Maxx, Marshall's, and Home Goods), though still only 2 percent of total sales. The reason may have to do with the appeal that these types of retailers offer consumers. Their product lines primarily involve items that many people prefer to touch and feel in person, including not just apparel but also home décor.

Furthermore, to maintain their low price points, these stores establish a treasure hunt element to their inventory structure. Part of the fun of shopping in a Ross or TJ Maxx store is the possibility of running across an unexpectedly great deal on a random piece of clothing, and the knowledge that the same deal will likely not be available if the shopper fails to commit to the purchase right away. The fun and adventure associated with such shopping trips are difficult to re-create online, even on sites that stock limited releases of products, because there is no parallel physical search effort involved.

In-store operations also mean that customers can try on items before purchasing them, which can reduce the rates of returns. In contrast, when people shop for clothing online, they often order multiple sizes of the same garment or several similar styles, reasoning that they can simply return anything that does not fit. Accordingly, the costs of handling returns tend to be much higher for online channels. For low price retailers, such costs directly undermine their ability to compete on prices. If they cannot contain their operating costs, they cannot earn profits on the inexpensive items they sell. At Burlington for example, the average price of each item sold is just $12. Deriving profits from such low retail prices is virtually impossible if the retailer must cover return costs too.

With these insights, off-price retailers are reducing their focus on online stores, or eliminating them altogether. Simultaneously, they are committing to building more offline stores. Although ecommerce certainly is not going away, it might not be a substantial channel for off-price retailers seeking the best balance for appealing to their price-conscious customers.

Discussion Questions:

1. **Why do some retailers specializing in moderately priced apparel believe that an online presence is not profitable?**
2. **Compare how the gross margin, inventory turnover, operating expenses/net sales, net profit margin, asset turnover, and return on assets would be different for the online and traditional stores maintained by off-price retailers like Burlington and Ross.**

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Are Limited Introductions of Sustainable Fashion Really Sustainable?

Rachel Cernansky, "The Impact of Fashion's 'Sustainable' Capsule Collections," Vogue Business, March 12, 2020.

Use with Chapter 5, "Retail Market Strategy," and Chapter 11, "Managing the Merchandise Planning Process"

The notion of introducing a limited run of an innovative product is nothing new, and in the fashion industry, these introductions often take the form of capsule collections—small introductions of a novel sort of design, intended to test out whether consumers will buy. A notable proportion of recently introduced capsule collections have a specific novelty: They claim greater sustainability in their production processes, even as the rest of the brand's offerings rely on conventional production processes.

At H&M, the sustainable capsule offering is designated as its Conscious line of clothing. Such a collection is especially notable for this fast fashion brand, which frequently has evoked criticisms in the past for being unsustainable by design. That is, its business model encourages consumers to purchase and dispose of clothes regularly, ignoring or directly contradicting sustainable efforts to reuse and recycle items over time. To be assigned to the Conscious line, clothing must be produced with at least 50 percent sustainable materials, which might be recycled or organic in origin.

Other companies use different standards to define their green offerings. Levi's introduced a line of jeans made from hemp, noting that growing hemp creates a smaller carbon footprint than cotton, as well as a line developed with technology that drastically cuts down on the amount of water used in the production process.

Such experiments allow the brands to test out if the processes will work and whether the finished products will appeal to consumers. But they also impose new costs. In most cases, sustainable production methods are more expensive than conventional ones, especially if the brand accounts for indirect costs. For example, responsible brands might recognize the ways their production processes add to levels of air or water pollution and invest in tactics to mitigate those effects. Such indirect costs in turn tend to lead to higher prices for the finished products. By experimenting with capsule collections, the manufacturers thus can gain another piece of valuable information, namely, whether consumers will agree to pay more to obtain more sustainable clothing.

Despite these meaningful tests and insights, critics allege that some brands are using capsule collections and claims of sustainability in less sincere ways, as greenwashing, to attract consumers without actually engaging in responsible production. If a brand never expands its sustainable experiments beyond a small capsule collection, then arguably it cannot claim to be truly sustainable, because the majority of its offerings do not meet this standard. Furthermore, especially among fast fashion retailers, the collections could serve like loss leaders: Even if they cost more, these brands sell the sustainable clothing at low prices, with the belief that they can get consumers to buy other, more profitable, less responsibly produced items at the same time.

It may be hard to recommend that companies stop trying to find more sustainable ways to produce clothing. But as one observer critically notes, even if the firms might be taking some positive steps, "the marketing of what they're doing is far outpacing what they're doing."

Discussion Question:

1. **Where do you draw the line between greenwashing and introducing modestly more environmentally friendly products?**
2. **Are you more likely to purchase products that claim to be environmentally friendly? Does your answer change if those products are more expensive than other products that don't make that claim?**

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Progressive Lending by Best Buy: Flexible Leasing Options or Exploitative Practice?

Abha Bhattarai, "A Best Buy Program Is Doubling the Price of Items for Some Customers," Washington Post, February 27, 2020

Use with Chapter 5, "Retail Market Strategy," and Chapter 6, "Financial Strategy"

At Best Buy stores, consumers without access to traditional credit cards or ready cash on hand have a new way to obtain the offerings: using a leasing program established by the retailer, in collaboration with a financing provider called Progressive Lending. After paying a $79 fee, they can leave the store with their electronics and appliance purchases, after which the company deducts preset amounts from each paycheck until the balance is paid.

According to the retail chain, the service represents a key benefit for low income or younger consumers, who may be excluded from or lack the credit history to qualify for traditional credit offers. The interest on the purchase is lower than what a payday lender or most rent-to-own companies would charge. However, it is higher than conventional credit card rates. Thus for example, one analysis estimates that a computer with a retail price of $199 ultimately would cost buyers $218 if they paid with a conventional Best Buy credit card, $495 through the Progressive Lending service, and $860 if they bought it from Rent-A-Center.

Progressive Lending is owned by Aaron's, another rent-to-own company that has long allowed consumers to take home appliances with low down payments. The service provider issues the credit and pays Best Buy upfront for the purchase, then accepts the risk that consumers might not repay the loan. It earns its profits from the interest charged. Other retailers also rely on Progressive Lending for similar services, including Kay Jewelers, Lowe's, and Big Lots.

For Best Buy, the option opens up new markets. According to one assessment, 65 percent of the people who relied on Progressive Lending did so to make their first purchase from the company. Yet ultimately, these buyers will pay more than a purchaser with cash or good credit, a practice that opens the door to ethical concerns and allegations of exploitation. Even some Best Buy employees have expressed concerns, noting that they felt deeply uncomfortable encouraging their customers to enter into a contract that threatened to cost them a lot of money over the long term. But Best Buy insists the benefits, both for its bottom line and for consumers, are far more compelling than the risks.

Discussion Questions:

1. **What are the advantages and disadvantages of Best Buy's lease-to-own program from the store's perspective? From the customer's perspective?**
2. **Do you believe Best Buy should continue this program? Why or why not?**

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Retail Tidbits

Working with DVF, MasterCard Seeks to Use Technology to Enhance Brand Engagement

Tatiana Walk-Morris, "DVF, MasterCard Team Up for In-Store Tech," Retail Dive, March 5, 2020.

Some people want advice from expert salespeople who can tell them what looks are trendy, which accessories will best highlight a new outfit, and how to style an innovative piece. Others hate having to interact with salespeople and would much prefer to browse on their own, gathering information at their own pace with the help of technology. To appeal to both types of shoppers, the Diane Von Furstenberg fashion brand is relying on MasterCard to produce a technology aid that supports various types of interactions. The InCharge technology platform allows shoppers to scan QR codes and obtain product information, styling tips, and so forth. But store associates can leverage the very same platform to ensure they also have access to all of these types of information their customers might ask them to provide. For the professional salespeople, the platform offers additional functionalities too, including suggestions of which items to recommend on certain days, times of the day, or in accordance with sales trends. Just as the fashion brand's iconic wrap dress promises to work for consumers with various body types, the brand's novel technology platform aims to work for consumers who prefer to shop in various ways.

Putting a Face to Robotic Technology

Michael Corkery, "Should Robots Have a Face?" The New York Times, February 26, 2020; Shoshy Ciment, "An Adorable Grocery Robot Is Celebrating His First Birthday with a Party in Hundreds of Stores—and It Reveals a Dystopian Truth about the Future of Retail," Business Insider, January 21, 2020.

Use with Chapter 15, "Human Resources and Managing the Store," and Chapter 17, "Customer Service"

As retail stores increasingly integrate robotic technologies to perform various mundane tasks—such as restocking shelves, unloading deliveries, and mopping up spills—questions about their optimal design have come to take on nearly as much importance as discussions of their implications for retail workers. The actual implementations of these robots have provided new evidence about how people interact with them in the real world. Primarily, they appear to want to humanize them. Workers introduced to the robots in their stores have added human physical traits, like big fake eyes, to machines, as well as given them pet names like Marty and Grover. Consumers similarly express preferences for robots whose appearances make them appear cute rather than solely mechanical. In response, the companies designing the robots have made some concessions. For example, one cleaning robot features a cushy seat and cup holder, signaling that it can be driven by a person, even though it mainly does the work autonomously. Such features facilitate people's acceptance of robots, which is not guaranteed. Without such appealing elements, consumers often react to robots with caution and suspicion; they simply look too strange in a familiar retail environment. Furthermore, retail employees tend to worry more about being replaced by robotic technologies than they do about handing over some of their tasks to good old Marty, which just happens to be a robot. But when Marty the robot—which detects spills in about 500 Stop & Shop and Giant grocery stores—with its silly googly eyes, becomes part of the store environment, both store employees and customers might find it so appealing that they even throw it a party to mark the one-year anniversary of when it was introduced..

Amazon Is Testing Just How Fast Delivery Can Be with New Fulfillment Centers

S.L. Fuller, "Amazon Launches Faster Same-Day Delivery with Mini-Fulfillment Centers," Retail Dive, March 4, 2020

Use with Chapter 9, "Information Systems and Supply Chain Management"

In four U.S. cities (Phoenix, Orlando, Dallas, and Philadelphia), Amazon Prime members enjoy even faster delivery options than people in the rest of the country. That's because Amazon chose those locations to test out its mini-fulfillment center idea, in which smaller warehouses would stock about 3 million items each, putting them in closer proximity to consumers. The novel formats of these centers, each about one-tenth the size of a conventional distribution center, allows them to perform multiple supply chain operations—procurement, sorting, and delivery—in one place. Delivery drivers, most of whom function according to Amazon's Flex service, pick up the items directly from the mini-fulfillment centers and get them to customers within just a few hours of their order. For example, an order placed between 5:00 p.m. and midnight ensures delivery by 8:00 a.m.; if shoppers instead place their orders after midnight but before 8:00 a.m., they can expect to receive delivery by 1:00 p.m. In addition to making its same-day delivery even more precise and rapid, Amazon believes that the new design can lower its environmental footprint, because deliveries do not have as far to go. It also might be a strategy to stem the vastly increasing shipping costs that the retailer has experienced; for example, in the first quarter of 2019, costs for shipping items to customers, most of whom have come to expect same-day delivery for all their purchases, had increased by 46 percent compared with the previous year. If these multipronged benefits are borne out by the four-city experiment, we should expect to find Amazon mini-fulfillment centers dotted across the country soon.

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Does Adding Alcohol Enhance the In-Store Experience?

Abha Bhattarai, "Shopping Under the Influence?" Washington Post, February 13, 2020

Use with Chapter 5, "Retail Market Strategy," and Chapter 15, "Human Resources and Managing the Store"

A known side effect of alcohol consumption is diminished inhibitions. If retailers want to overcome shoppers' inhibitions about shopping and spending money, providing them with access with alcohol might seem like an obvious and enjoyable solution. Yet the growing practice also raises some concerns about whether it is really ethical to push drinks as a way to get people to buy more. In an expanding array of retail settings, from high-end department stores like Nordstrom to grocery store chains like Mariano's, shoppers can order a cocktail to sip while shopping or else take a seat at in-store bars to take a break. For the luxury retailers, the drinks resonate with and enhance the hedonic experience. People feel as if they are being catered to, and they find the overall experience that much more enjoyable; for companions less interested in the shopping trip, it also gives them a way to pass the time pleasurably. In grocery stores, the beverages instead give consumers a positive aspect to appreciate while they perform a relatively tedious, regular chore. Regardless of the setting though, shoppers and retailers both acknowledge that a buyer under the influence of alcohol is more likely to buy and spend more, whether that means indulging in a luxury accessory purchase or putting a fancy jar of jam into their shopping cart. This outcome raises ethical questions, in the sense that the retailers are explicitly and admittedly trying to alter consumers' mental states and lower their resistance to marketing tactics designed to get them to buy more stuff. These questions may be especially concerning considering evidence of the rates of alcoholism, including estimates that one in eight U.S. adults struggles with drinking problems. By making alcoholic drinks so readily and widely available, retailers arguably are contributing to a relevant and important social problem. Finally, it risks an increase in risky driving behaviors, if consumers get in their cars with their purchases after downing a few glasses of wine.

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