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Newsletter for Instructors

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

- **Prime Competition: The Arrival of Walmart+** **(Chapters 1, 5, & 17)**
- **Get It, Go, Just Walk Out: Amazon's Proposed Reinvention of the Checkout Process** **(Chapters 1 & 9)**
- **Not One but Two Off-Price Options for Dick's Sporting Goods** **(Chapters 2 & 13)**
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- **Home Depot Is Winning on Nearly Every Metric. How Is It Doing So?** **(Chapter 6)**
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- **Beautiful, Sustainable, and Conscious: Setting New Standards for Cosmetics at Ulta** **(Chapters 11 & 12)**
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- **Providing Complex Health Care Services in Retail Settings: Various Approaches by Drug Store Chains** **(Chapter 17)**

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Prime Competition: The Arrival of Walmart+

Jason Del Rey, "Walmart's Amazon Prime Competitor Will Launch in July," Vox, July 7, 2020; George Anderson, "Will Walmart's Best Shoppers Ditch Amazon Prime for Walmart+?" Retail Wire, July 8, 2020; Tom Ryan, "Will Walmart's Customers Pay $10 More to Get Deliveries in Two Hours?" Retail Wire, May 4, 2020.

Use with Chapter 1, "Introduction to the World of Retailing," Chapter 5, "Retail Market Strategy," and Chapter 17, "Customer Service"

Although Walmart might prefer to avoid a direct, head-to-head comparison, it's hard not to consider the offerings involved in its new Walmart+ program as a direct response to both the successes and the vulnerabilities of Amazon Prime. So regardless of what the retailers might prefer, let's compare them.

	Walmart+	Amazon Prime
Cost (annual)	$98	$119
Delivery speed	Same day (free) Two-hour (select items)	Two-day (free) Same-day (free in select locations) Two-hour (select locations)
Distinct offerings	Extensive grocery offerings	Extensive video, music, and entertainment library
Discounts	Specific promotions for members Fuel at Walmart-owned gas stations	Specific promotions for members Reduced prices at Whole Foods

Thus Walmart+ offers some benefits over Amazon Prime, though it cannot compete in terms of streaming entertainment content. It also arrives with a lower price point, which might be of particular appeal to its traditional target market of price-sensitive shoppers.

These shoppers have become an increasingly appealing target market for Amazon though, which has adjusted its Prime memberships to offer discounted rates for low income consumers, as well as monthly payment plans. As a result of such efforts, more than half of the consumers that Walmart identifies as its top spenders also have Prime memberships. Furthermore, Prime has a good head start; it was first introduced nearly two decades ago.

But Amazon Prime is not unassailable. Especially in the COVID-19 era, consumer complaints, citing the company's failure to meet the expectations it had created through its service promises, soared. The early days of the pandemic represented a unique time, rather than the norm, but people who feared venturing out to stores still found themselves angered by Amazon's inability to fill their orders within the promised two-day window or ensure sufficient supply of critical grocery items.

In this context, Walmart sees a clear window of opportunity. It had initially planned to launch Walmart+ in March but, when confronted with the challenges of COVID-19, pushed the strategic initiative back a few months. That move seemingly was the right choice, in that it enabled the retailer to focus on ensuring the effectiveness of its existing operations. According to customer satisfaction polls, the Walmart delivery services in place, even before the introduction of Walmart+, performed better than Amazon's in getting products to consumers who were determined to remain socially distant and out of stores.

As they grow more accustomed to delivery options, price-sensitive shoppers might also come to appreciate the efficiency promised by Walmart+ even more, including reduced fuel costs for them and rapid provision of groceries and household items with added deals and incentives. Its online sales already increased by 74 percent during 2020.

Discussion Questions:

1. **Do you have an Amazon Prime membership? Do you plan on purchasing a Walmart+ membership, either in addition or instead of Prime?**
2. **Why might Walmart have been able to perform better in its delivery operations during the recent pandemic, compared with Amazon?**

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Get It, Go, Just Walk Out: Amazon's Proposed Reinvention of the Checkout Process

George Anderson, "Did Amazon Just Put Its Go Technology in a Shopping Cart?" Retail Wire, July 15, 2020; George Anderson, "Will Rival Retailers Buy Amazon's 'Just Walk Out' Technology?" Retail Wire, March 10, 2020

Use with Chapter 1, "Introduction to the World of Retailing," and Chapter 9, "Information Systems and Supply Chain Management"

Why would Amazon, with its primarily online offerings, develop new and advanced technology to facilitate physical, in-store purchasing? Because it knows that such advances can help secure its dominant position for the future, whether it decides to open new physical store operations or sell its technology innovations to other retailers—or both.

Amazon's Just Walk Out checkout technology already is installed in its experimental Go stores, enabling shoppers to gather the items they want and leave without ever going through a checkout line. They use a credit card to gain access to the store, and then sensors, both on each product and throughout the store, determine what items they have taken and charge the card when they leave.

To build on these internal operations, Amazon has build a shopping cart equipped with the Just Walk Out technology too. Using visual algorithms and advanced sensors, the cart can determine what items a shopper has put into it. Again, the shopper's credit card gets charged for the purchases, without requiring any further effort by the consumer. In addition, a screen integrated into the cart allows shoppers to sign in to their Amazon account, so they can track shopping lists they created at home with the help of their Alexa device or double check prices.

The cart is slated to be introduced soon in a single Amazon store in California, but clearly, it could be expanded to other stores, whether owned by Amazon or maintained by other retailer chains. Those competitors would simply need to invest in purchasing the technology and carts from Amazon to attain a highly sophisticated way to make shopping easier and quicker for their customers.

Such spread is likely a goal for Amazon, according to its parallel efforts to push sales of Just Walk Out. Some early reports indicate that it is in negotiations with retailer operators located in airports, as well as a national movie theater chain, to license the technology. However, its expansion seemingly has been limited by the substantial investments these buyers would need to make, in that they would need to purchase the technology but also retrofit their stores to install sensors. Arguably, the cart might be the more workable, affordable solution for various retailers to leverage the opportunities that Amazon first built for itself but now is seeking to share.

Discussion Questions:

1. **How does the cart facilitate the spread of the Just Walk Out technology tool?**
2. **Why is Amazon seeking to sell its proprietary technology to potential competitors? What are the pros and cons of doing so?**

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Not One but Two Off-Price Options for Dick’s Sporting Goods

Tom Ryan, “Dick’s Goes Off-Price with Two New Clearance Concepts,” Retail Wire, June 23, 2020; “Dick’s Sporting Goods Announces the Grand Opening of Two New Concept Stores,” PR Newswire, June 16, 2020

Use with Chapter 2, “Types of Retailers,” and Chapter 13, “Retail Pricing”

Many department store retailers have initiated and maintained off-price operations, from Nordstrom to Macy’s to Kohl’s. Their popularity may have been the spark for Dick’s Sporting Goods to give this business model a chance in its specialty retail sector. But why is the company opening not just one, but rather two, options for off-price shoppers?

In particular, Dick’s Overtime chain will follow a widely used business model for off-price retailing, planning about a dozen stores in various states. These ongoing locations will offer good discounts on the items that its regular stores stock too. But Dick’s also announced a limited time version, called the Warehouse, that it plans to maintain for only about six months. The Warehouse will offer even deeper discounts, in five select pop-up locations.

The combination likely reflects several macroeconomic influences. Obviously, the coronavirus pandemic hit many retailers hard, and Dick’s was no exception. Consumers shopped and bought less, leaving the chain with an oversupply of inventory; they also stopped attending team sports, cutting into its market for equipment like hockey or baseball gear.

But the macroenvironment features other effects too. For example, the exit of Sports Authority from the sporting goods sector several years ago already had created excess in sporting goods supply chains. As a result of its proactive efforts to deal with and eliminate these excessive inventory concerns, Dick’s even noted recently that it was seeking new product supply—hoping to be ready for the moment that shoppers return, ready to refresh their exercise gear.

Discussion Question:

1. **Are two distinct off-price models appropriate or just inefficient? How can Dick’s Sporting Goods ensure their differentiation?**
2. **What other options do specialty retailers have for dealing with excess inventory, resulting from factors outside their direct control?**

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From Stretch to High-Tech: Lululemon Moves Beyond Leggings to Push the Mirror In-Home Exercise Device

Sapna Maheshwari, "Lululemon to Buy Mirror, a Fitness Start-Up, for $500 Million," The New York Times, June 29, 2020; George Anderson, "Lululemon Moves into In-Home Fitness with $500M Deal for Mirror," Retail Wire, June 30, 2020

Use with Chapter 3, "Multichannel and Omnichannel Retailing"

With a $1 million investment in a start-up company called Mirror, Lululemon tested the waters when it came to building beyond its existing retail offerings of yoga and exercise-related gear and clothing. The waters apparently felt good, because a year later, Lululemon has invested an additional $500 million to purchase the company and thereby become an active participant in a new market, featuring in-home exercise equipment enabled by high-tech streaming and connectivity options.

The Mirror device, installed on walls in consumers' homes, streams both live and recorded exercise classes. Once consumers purchase the $1500 equipment and have it installed, they pay $39 per month for unlimited access to the offerings. Mirror promises a range of class styles, such as yoga, Pilates, and kickboxing, as well as customized workouts designed to reflect each user's fitness goals.

In this sense, Mirror does not represent a conventional retail setting, yet Lululemon sees the expansion as a natural and logical next step. By leveraging its popularity and brand image as a desirable, high-end provider of various fashionable exercise outfits and gear, it hopes to expand the reach of the Mirror too. In particular, whereas the start-up thus far has relied mainly on online channels to reach buyers, Mirror devices will likely start popping up in Lululemon stores, enabling exercise-oriented consumers to try out and interact with the tools before plunking down the money to install one in their own homes.

In turn, Lululemon anticipates leveraging Mirror as a novel channel to promote its retail offerings; users likely should expect to see exercise instructors decked out in the brand's leggings and tanks soon. Although not solely driven by the effects of COVID-19, the pandemic certainly encouraged the partnership. In-store sales of Lululemon apparel had fallen somewhat, as people engaged in social distancing, so finding new options for consumers to engage with its products without leaving their homes held great appeal.

Furthermore, Mirror itself might be a good investment. Many people continue to avoid traditional gyms or yoga studios, such that they might be seeking alternatives for getting in a round of kickboxing moves or a quick Pilates class. That is, beyond the benefits for encouraging sales of its products, purchasing Mirror arguably gives Lululemon a new stream of revenue, earned through the sale of the devices and ongoing subscription payments to access the services. Notably, even before partnering with the better known retail brand, Mirror had earned an estimated $100 million in revenues.

Discussion Questions:

1. **What potential implications does this new channel have for retail sales of Lululemon-branded products?**
2. **What distinct considerations will Lululemon need to address as it expands beyond conventional retail operations to start working in a new channel and providing a subscription-based service?**

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Livestreaming Fashion in China: Retail by Video

Trefor Moss, "Live-Streaming Craze Turns into a Lifeline for China's Stores," The Wall Street Journal, July 9, 2020

Use with Chapter 3, "Multichannel and Omnichannel Retailing"

The online operations might not be the most sophisticated—there are no real-time inventory updates or cutting-edge robot assistants available—but China's fashion retail market is experiencing a new kind of development. Small retailers, hemmed in by the ramifications of COVID-19, have taken to livestreaming encounters with their founders, owners, or employees, who present and model available items and engage in friendly banter with viewers and customers.

These retailers often rely on the tools provided by social media sites such as WeChat, which is the most popular platform for users in China. By streaming through that platform, they can insert a purchase button within their streaming content, as well as see live responses by viewers. The result is a nearly in-person interaction. A good retailer can welcome good customers by name, highlight items that will fit a frequent buyer, or recommend a new accessory to go with an outfit that a viewer purchased the week before.

These developments even have created a new segment of social media influencers, called "stream queens." These fashion mavens know how to model various pieces so that they look appealing, how to create entertaining content that engages viewers to remain with the stream, and then how to close the sale to interested virtual shoppers.

Many of the livestreams take place in evening or weekend hours, which is convenient for both shoppers and shopkeepers. That is, many people enjoy shopping online during leisure hours. For the retailers, it means that they can keep their physical stores open during regular business hours, then earn more sales after hours, without having to leave the store.

Some retailers thus report a complete reversal in the percentages of sales they earn online versus offline. For example, after the retailer Forest Cabin retrained its sales staff to present its cosmetics through livestreaming videos, it switched from earning an estimated 80 percent of its sales in stores to obtaining that same percentage of its current sales online. Aggregating across all the smaller retailers that maintain a presence on its site, Alibaba indicated that it processed $720 million in sales due to video streams on a single day.

Despite such diverse evidence of the popularity and rapid spread of this new sales channel, some observers predict that it might be unique to China, arguing that Chinese consumers enjoy shopping broadcasts more than U.S. shoppers. But as more and more people find out how enjoyable it can be to interact virtually but personally with stream queens, offering expert fashion insights and ready accessibility, the spread of this novel way to shop also might not be limited by national or cultural borders.

Discussion Questions:

1. **Do you anticipate that video streaming as a retail sales channel will spread internationally or remain a primarily Chinese consumer phenomenon? Why?**
2. **Beyond fashion, what other sorts of retailers might benefit from this retail sales channel?**

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Concierge Service in Outlet Malls: Novel Approaches to Get Shoppers What They Want

Tom Ryan, "Tanger Outlets Brings Personal Shopper Services Online," Retail Wire, June 29, 2020; Sam Walker, "The Tanger Outlets CEO Thinks Online Shopping Is Overrated. Now He's Betting On It," The Wall Street Journal, July 9, 2020; "Tanger Outlets Launches Virtual Shopper Concierge Service," PR Newswire, June 23, 2020.

Use with Chapter 4, "Customer Buying Behavior"

Outlet stores and malls might once have implied a low cost or lower end setting, but that reputation largely has changed, especially due to the efforts of operators such as Tanger Outlets. This company, which runs scores of upscale shopping centers that just happen to feature outlet stores carrying famous brands, has been instrumental in changing shoppers' perceptions of outlet offerings. It determined early on that the thing that brought customers back was an entertaining, appealing atmosphere, so it added food courts and playgrounds to most of its 39 malls—features that tended to be more common in upscale shopping centers.

Now, as markets and retailing continue to change, it also is trying to take the lead in redefining how they shop. At the outbreak of the COVID-19 pandemic in the United States, people sought to avoid crowded spaces and remain home. But they still enjoy shopping for name-brand deals, and Tanger Outlets is confident that eventually, they will want to return to shop in person. In the meantime, to help consumers find enjoyment and also to help the stores located in its malls stay afloat, Tanger has developed a novel, online concierge service. Consumers register online, offering details about their preferred brands, styles, and sizes. If they are seeking a specific item, they can indicate that information too.

Tanger then assigns a personal shopper to the consumer. The shopper visits the physical stores and offers advice on product availability or special deals on offer at that moment. Although these personal shoppers will be physically at a Tanger Outlet site, they can procure items from locations across the country. Then consumers can choose whether to swing by the curbside of their local outlet mall to pick up the items they have selected and purchased, or else have them delivered to their homes.

The added service does not cost consumers or stores anything, even as it provides each side of the transaction substantial benefits. That is, the stores in Tanger Outlet shopping centers (which represent the company's source of income, in that its revenues come from the stores that pay rent to operate in its outlet centers) receive assistance in increasing their sales, even if fewer consumers are visiting. Along with this novel service innovation, Tanger Outlets gave most retail tenants a break on rent, even suspending payments for several months in some cases.

Consumers obtain expert insights and advice, as well as greater convenience and a means to avoid the risk of in-person shopping. At the same time, they continue to perceive their local outlet mall as a fun and inspiring place to shop, increasing the likelihood that, when they feel comfortable heading out to shop in person again, they will head toward a Tanger Outlet location.

Notably, another retailer offering similar services is positioned in a much different way than outlets conventionally are: Gucci lets consumers interact with service personnel through video calls, while the assistants walk through a newly created, 7500-square-foot mockup of a store that is located in Florence, Italy. This comparison reveals just how intently Tanger Outlets is determined to avoid a low cost or "cheap" image for its shopping centers and retail offerings. Concierge service generally implies high-end, hedonic, enjoyable offerings, and that's precisely the perceptual link the outlet operator hopes to reemphasize with this expanded service provision.

Discussion Question:

1. **Are consumers likely to embrace a concierge service for outlet malls? Why or why not?**
2. **Consider the costs of the service to Tanger Outlets. Is it likely to recoup the costs with higher revenues, in your opinion?**

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Fashion from Home: The Retail Challenge of Selling Professional Dress to People Working Remotely

Allison Prang, "Apparel Brands Push More-Stylish Dressing at Home," The Wall Street Journal, July 2, 2020; Suzanne Kapner and Soma Biswas, "Brooks Brothers, Hurt by Casual Friday and Coronavirus, Files for Bankruptcy," The Wall Street Journal, July 8, 2020

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

There is little doubt that leggings and sweatpants are more comfortable than dress pants or a pencil skirt. Once a vast number of professionals began working from home, forced out of office settings by the coronavirus, they naturally embraced such clothing options. If they had no need to dress professionally to interact with colleagues and clients, they opted for comfort, ease, and softness. Even if they continued to be productive and produce high-quality work, their appearance while doing so grew considerably less formal.

Such preferences might make professional workers more comfortable, but they are having the opposite effect on retailers that sell professional attire. Neiman Marcus, J.Crew, and Brooks Brothers filed for bankruptcy quite quickly; other brands have scrambled to find new ways to market their existing offerings or else adjust their product lines to appeal to the new segment of work-from-home professionals.

For example, Express created a new design for its ecommerce site, categorizing its clothing options according to three "ways to work," namely, interview, back to the office, or work from home. Each category contains appropriate options, such that in the work from home section, shoppers can find trendy joggers, soft sweaters, and nice smelling candles.

At Gap, the effects are particularly clear across its different imprints. Banana Republic, with its emphasis on more formal lines and clean cuts, suffered a sales drop of 47 percent in the immediate aftermath of the pandemic. But the company's Athleta brand, which sells exercise attire alongside athleisure-inspired regular clothing, has remained nearly on an even keel. Specifically, though it still experienced some effects (as has virtually every retailer), the damages were limited to just an 8 percent decline in sales.

Another option is for retailers to push their offerings of fashionable tops, blazers, and jewelry that people wear near their faces. People working from home often are required to participate in video conferences and calls, implying that they need to look professional at least from the waist up. They might be sporting jogging shorts on their legs, which are hidden by the kitchen table where they do their work these days, but they can put on a sharp tie or attractive scarf to look put together and presentable to their conference partners.

This last option is promising for some but makes the bad news for other retailers clearly evident. Colleagues on a video conference cannot see one another's shoes for example. Thus, the exclusive Jimmy Choo shoe brand is worried. So are makers of expensive luggage, who are finding that when no one is taking business trips, no one needs new suitcases either.

Discussion Questions:

1. **Should business attire retailers switch completely to more casual product lines, or are more formal styles likely to make a comeback someday? What other factors influence your answer?**
2. **In what other ways might retailers diversify to deal with the trends in business fashion induced by the coronavirus?**

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Home Depot Is Winning on Nearly Every Metric. How Is It Doing So?

Pamela N. Danziger, "Home Depot's Transformation to a Fully Interconnected Retailer Shows Record-Breaking Results," Forbes, February 26, 2020; Will Feuer, "Home Depot Sales Rise 7% But Higher Coronavirus-Related Costs Drag Down Earnings," CNBC, May 19, 2020; Demitrios Kalogeropoulos, "For Home Depot's Online Business, It Was Black Friday Nearly Every Day in April," The Motley Fool, May 27, 2020.

Use with Chapter 6, "Financial Strategy"

There are various metrics to measure a retailer's performance as we detail in chapter 6. On nearly every one of them, Home Depot is achieving remarkable success. Consider, for example, the following statistics:

- In a recent year in which the home improvement retail sector overall grew by .6 percent, Home Depot tripled that, increasing its revenues by 1.8 percent.
- Its market share puts it far ahead of its next closest competitor, such that Home Depot accounts for 29 percent of the market, according to the $110.2 billion in annual revenues it earned, whereas Lowe's only brings in 19 percent and $72.2 billion.
- Even beyond the home improvement sector specifically, Home Depot is a leading retailer, ranking fifth in ecommerce market share (behind retailers like Amazon, that focus almost exclusively on online channels) but also attracting substantial foot traffic in its stores.
- Although expenses related to dealing with the demands of the coronavirus raised its overall costs, same-store sales still increased, compared with the previous year, in the early months of the pandemic.
- After cancelling its popular annual in-store spring sale—usually one its most prominent sales promotions—due to COVID-19 concerns, its online sales rose about 30 percent in March, then by triple digits in April.

So the key question becomes: What has it done to achieve these powerful indicators of success? As might come as no surprise, they reflect a multipronged, concerted, coordinated effort by the retailer to provide value to shoppers.

A key element is its focus on ensuring a seamless, omnichannel experience, as exemplified by an $11 billion investment in a "One Home Depot" initiative, with six, interconnected goals that would support the transformation of the retailer into the place that consumers could go to complete their projects. This reframed strategic focus also was reflected in the company's revised advertising slogan: "How Doers Get More Done."

Beyond just the tagline though, Home Depot's efforts have had meaningful implications for the way it does business. For example, rather than try to push customers to adopt a particular sales channel, the retailer decided to embrace their tendencies to switch among channels, such as by initiating their shopping processes by searching online, but then visiting the store to pick up the items or get assistance with how to use certain products.

In particular, its effort devoted to developing its mobile app has clearly paid off; it consistently earns top ratings in evaluations and rankings of various retailers' apps. Both the app and website offer cross-channel services, such as image search functions and product locator aids. In turn, these digital channels are linked to labels on products, such that shoppers can quickly click to find more information on the mobile site, even as they are standing in an aisle in their local store.

Other benefits greet consumers in the stores too. Whether they are there to pick up items they already have purchased or to browse the offerings in person, most shoppers encounter freshly renovated storefronts, effectively trained staff, and novel product introductions. The redesigned stores feature dedicated counters for online order pickups and returns. The basic checkout lanes are more efficient too. The employees staffing these counters and walking through the aisles are receiving a combined 1 million hours in training, to improve their ability to help shoppers, along with bonuses and incentives based on the company's overall performance. Finally, on the shelves themselves, the product assortments are growing; for example, the pipes and fittings departments have been greatly expanded to include more stockkeeping units that can match each shopper's precise needs.

Another aspect of the interconnected One Home Depot initiative involves the supply chain. For Home Depot, which serves both consumer and business customers, supply chains need to account for various logistics and delivery options. Whereas previously it outsourced most home delivery operations for consumers to third-party providers, it has moved a substantial proportion of these services in-house, which helps the retailer ensure the quality of the delivery, as well as establish another contact with the consumer. At the same time, it invested in making the supply chain more efficient, to ensure stocking levels for those expanded product lines.

All these initiatives and changes align with Home Depot's broader, strategic recognition: Consumers and professional building contractors today are not necessarily driven solely by price, which was the appeal summarized in Home Depot's previous tagline, "More Saving. More Doing." Instead, they seek out options that will enable them to feel a sense of satisfaction and achievement by completing home improvement projects on their own. By creating an ecosystem that facilitates their efforts, across channels and operational features, Home Depot can focus more on growing its revenues even further.

Discussion Questions:

1. **Which metrics are most indicative of Home Depot's success, in your view? Why did you choose them and not others?**
2. **How can Home Depot account for the costs associated with its improvement initiatives, as well as its necessary responses to the coronavirus, accurately?**

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Raising a Community Focus in Nike's New Rise Store Concept

Tom Ryan, "Nike Debuts Member-Driven Concept," Retail Wire, July 15 23, 2020; Cara Salpini, "Nike Opens Latest Store Concept: Nike Rise," Retail Dive, July 10, 2020; Samantha McDonald, "Nike Unveils a New Kind of Store in China—Take a Look Inside," Footwear News, July 8, 2020.

Use with Chapter 7, "Retail Locations," and Chapter 10, "Customer Relationship Management"

There are Nike stores, and then there are Nike stores. But regardless of whether you visit a House of Innovation, a Nike Live location, or the new, massive Nike Rise store in Guangzhou, China, those stores are going to connect you in various ways to the community of running and sports enthusiasts who constitute Nike's target market.

The Nike Rise concept store offers a clear example of how Nike tries to create a sense of community among shoppers. With the general assumption that most visitors to the three-story, 22,000-square-foot store already have downloaded its popular app, it organizes weekly athletic activities. Sports enthusiasts can sign up for workshops or group workouts through the app, then meet at the Nike Rise store to get expert advice and to link up with potential exercise partners. If they have not yet downloaded the mobile app, the fun offered by the store is likely to encourage them to do so, which in turn adds them to the retailer's loyalty program.

At a "personalization bar" in the store, they also can order and receive jerseys and tote bags with logos of local sports teams, emblazoned with any name they choose. A few steps away, they might enjoy watching broadcast games and matches by local teams such as the Evergrande Taobao Football Club, gathering together with other fans to cheer on their favorites.

Similar to its House of Innovation flagship stores and smaller, interactive Nike Live locations, the Nike Rise store offers personalized fit services too, which feature high-tech scanning devices that analyze users' feet and offer recommendations for which shoes, in what size and width, will best suit their physical characteristics. Although this technology has been more widely available internationally at Nike Live stores, Rise represents the first time it has been introduced to Chinese consumers.

In addition to connecting with consumers, and enabling them to connect with one another, these novel store concepts are strongly connected to Nike's popular digital channels. By opening more of these experiential stores, it hopes to ensure omnichannel growth, in line with evidence that ultimately, digital channels account for about 30 percent of its revenues. That is, by giving customers a compelling, personalized, enjoyable, digitally linked in-store experience, Nike has realized it actually can enhance its ecommerce sales.

Discussion Questions:

1. **Why does a great in-store experience lead to enhanced ecommerce sales for Nike?**
2. **Why might Nike have opened its first Nike Rise store in China?**

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Subscribing to an Alternative Business Model: The Pandemic-Era Promise of Retail Subscription Services

Matthew Stern, "Are Subscriptions a Winning Strategy to Get Through the Pandemic?" Retail Wire, July 15, 2020; Scott Edinger, "How to Convince Your Sales Team to Adopt a Subscription Model," Harvard Business Review, June 23, 2020; John Gaffney, "Can Subscription Retail Solve Its Retention Problem?" Retail Wire, April 3, 2019.

Use with Chapter 10, "Customer Relationship Management," and Chapter 13, "Retail Pricing"

The subscription business model has steadily spread, moving away from traditional print publications and toward such market sectors as clothing, meals, and pet supplies. The reason for such trends is clear: If retailers can convince consumers to sign up to pay a regular fee and receive regular, predetermined shipments, they earn a steady, consistent revenue flow, and they also enjoy the planning benefits of consistent, easy-to-predict shipping and sourcing logistics operations.

Accordingly, vast numbers of subscription offerings are available from various retailers, including start-up service providers like Stich Fix or BarkBox, well-established consumer packaged goods manufacturers such as PepsiCo, and restaurants like Panera Bread. But for several years, growth and stability in this market has been hard to come by. Consumers exhibit substantial price sensitivity, a willingness to try various options without remaining loyal to any particular provider, and resistance to handing over the control for their ordering and purchasing to the retail entities.

The COVID-19 pandemic upended some of these trends though, by shifting consumers' priorities and shopping preferences. In particular, when shoppers realized it was safer to stay home and receive deliveries, rather than venture out to stores on their own, they gained increasing familiarity with and exposure to the various offers. If they were already placing an order for chips and colas to be delivered from a grocery store for example, it seems like a logical leap to consider receiving them directly from PepsiCo. If they were going to receive curbside delivery of their Panera breakfast sandwich, why not add a coffee subscription and receive a hot beverage without having to pay for it each day?

But the pandemic is not the only source of change. Subscription providers also have gotten more savvy through their experience. For example, many of the seemingly ubiquitous meal kit companies (e.g., Blue Apron, Hello Fresh) initially sought to gain subscribers by offering very low cost or even free introductory package. Consumers realized that they could feed their families for virtually nothing and for several weeks, just by switching among the different providers and signing up for inexpensive trials with each of them. When it came to paying full price though, they balked. Having learned this lesson, the companies are moving away from price-leading propositions to value-oriented options, seeking not just to attract but to retain more subscribers.

Stitch Fix provides a good example of this value-oriented approach. Rather than mandate a certain purchase level or impose specific clothing items on subscribers, it allows them to select which of the fashionable options, shipped to their door, they will keep. If they have a busy month of meetings, shoppers can request a bigger order; if they are taking some time off, they can adjust their subscription to receive fewer pieces.

Through these combined effects, the market for subscription services is performing remarkably well, relative to the retail sector as a whole, especially considering its struggles in dealing with the ongoing effects of the coronavirus. Notably, a recent report determined that rather than losing sales, as many retailers have, approximately 90 percent of subscription-based retail providers were holding steady or even improving their performance. In an environment in which seemingly every retailer is at risk of sinking, treading water is a form of success, especially for companies that previously had been hard pressed to get consumers on board with their subscription-based model.

Discussion Questions:

1. **What pricing model would be most effective for not just attracting but retaining loyal customers to a subscription service?**
2. **Do you subscribe to receive any products? Which ones, and why?**
3. **What other forms of value do subscription-based retailers need to provide to keep customers loyal?**

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Beautiful, Sustainable, and Conscious: Setting New Standards for Cosmetics at Ulta

Cara Salpini, "Ulta Launches Conscious Beauty Initiative," Retail Dive, July 16, 2020

Use with Chapter 11, "Managing the Merchandise Planning Process," and Chapter 12, "Buying Merchandise"

The old saying that beauty is only skin deep reflects the ethical recognition that appearances are superficial and less important than internal traits and moral beliefs. Although the products that Ulta sells primarily aim to help consumers address that external form of beauty, some of its recent product line developments also suggest it recognizes the internal, ethical form too, such that it wants to help shoppers live out their ideals, as well as enhance their appearance.

In particular, noting widespread criticisms of the beauty retail industry as a long-running violator of some essential sustainability norms—from its historical practice of testing products on animals to arguably excessive and wasteful packaging—Ulta has determined to differentiate itself by committing to responsible practices. That commitment is evident in the new collection of Conscious Beauty products, each of which will be measured and certified in terms of whether it is vegan, cruelty free, positive in its impact, packaged sustainably, and free of harmful ingredients.

These five elements provide the pillars of the Conscious Beauty initiative, but in support of them, Ulta also plans to go beyond labeling. For example, in accordance with the packaging pillar, it has entered into a partnership with Loop, a company that specializes in sustainable packaging, to find ways to ensure at least 50 percent of all the products it sells are in recycled, biosourced, or refillable containers. For products manufactured under its store brands, Ulta also has developed instructions for "How2Recycle," printed on every item's packaging.

Similarly, it is relying on partnerships with experts in other sustainability domains to ensure its achievements with the other pillars. Leaping Bunny and PETA are certifying its cruelty-free assessment efforts; an organization called ClearForMe is providing the validation that the products do not include harmful parabens, phthalates, and other such chemicals.

Overseeing the entire process is a Conscious Beauty Advisory Council, which Ulta has created to monitor its own efforts. That is, to ensure that its retail efforts meet its responsible mandate, Ulta granted an independent board the right to check its accountability and adherence to socially conscious requirements.

The resulting Conscious Beauty collection will span multiple products and brands, both private label and national. Retail stores thus might organize their displays around these appealing collections, with their promise of sustainable, recyclable, and responsible practices, to help consumers feel as satisfied with their internal beauty as they are with their external look.

Discussion Questions:

1. **How should Ulta develop and adjust its assortment plan to account for the introduction of the Conscious Beauty collection in stores?**
2. **Will the introduction of the Conscious Beauty collection alter Ulta's brand buying process? How?**

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The Protections and Problems of a Cashless Market Economy

Liz Alderman, "Our Cash-Free Future Is Getting Closer," The New York Times, July 6, 2020

Use with Chapter 16, "Store Layout, Design, and Visual Merchandising"

Cautioned constantly to keep washing their hands to limit the spread of the novel coronavirus, many consumers make the seemingly logical leap that the fewer things they touch in public, the safer they will be. Accordingly, many shoppers have sought to limit their risk when making purchases, avoiding cash transactions that would require them to receive change in return. More people are using credit cards or touchless payment options, leading to various benefits for themselves, retailers, and credit card providers—but also raising some novel concerns for these actors.

Reduced or no contact payment options clearly appeal to shoppers and employees, who are working to limit their social contacts across the board. Cashiers do not need to handle cash; consumers can speed up the checkout process and get back to their self-imposed quarantine that much faster. It also is comparatively easier for stores to clean a single credit card terminal after each transaction, rather than needing to worry about disinfecting the entire cash register.

As a result of these benefits, credit card firms have experienced a surge in use. For example, VISA noted that rates of contactless payments had doubled in the United Kingdom, especially after it lifted purchase limits that constrained the amount people could charge through this payment method. Anecdotal evidence from smaller shops and restaurants indicate similarly vast jumps in credit card purchases, as even those consumers who once insisted on cash reprioritize their payment preferences.

But the increased uses of credit cards also mean increased fees. That's good news for the credit card providers, not so much for small businesses, which often find the percentage cuts oppressive. As more people demand that retailers take credit card payments, then use them more often, the risk of smaller profits is highly salient for retailers.

For consumers, other concerns emerge. In particular, many low income consumers simply do not have access to sufficient lines of credit to be able to charge everything, or they may not have a credit card at all. Some retailers that experimented previously with cashless operations came under fire, prompting various state and local laws that require retail firms to accept cash in an effort to protect vulnerable populations' access to market offerings. In addition, contactless payments imply data storage and access considerations that may put people's private information at risk and increase the threat of data breaches or theft.

The benefits and risk thus create some sort of balance, which each consumer likely defines for him- or herself. Is it preferable to limit the risk of contracting COVID-19 by touching a dollar bill, or is it better to reduce the amount of financial information companies can access?

Discussion Questions:

1. **What other costs and considerations might be affecting the trend toward increasing credit card payments?**
2. **On which side of this balance do you fall: Are you more worried about paying by cash or paying using credit cards or contactless methods, when it comes to protecting yourself?**

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Providing Complex Health Care Services in Retail Settings: Various Approaches by Drug Store Chains

Sharon Terlep, "Walgreens to Open Doctors' Offices at Its U.S. Stores," The Wall Street Journal, July 8, 2020; George Anderson, "Will Doctors Provide a Cure-All for Walgreens' Competitive Ills?" Retail Wire, July 9, 2020; George Anderson, "Will CVS's HealthHUB Concept Change What Consumers Expect of Drugstores?" Retail Wire, February 14, 2019; Tom Ryan, "Would You Go to Walmart to See a Doctor?" Retail Wire, September 6, 2019.

Use with Chapter 17, "Customer Service"

When it comes to health care, people's needs have grown far more sophisticated but also more challenging, pressured by shifting insurance requirements, increasing rates of chronic illnesses, and the serious health risks associated with the global coronavirus pandemic. As a key actor in the health care market, drug stores and their business models have had to make some substantial adjustments to meet consumers' demands for more personalized, effective health care options. Such claims prompt little argument. But the way in which drug store chains are revising their approaches vary widely, reflecting the retailers' unique views about the best way to support consumers' search for easily accessible, affordable, convenient, and safe medical services.

At Walgreens for example, up to 700 clinics, staffed by physicians, will soon be installed in existing drug stores. The retailer is partnering with, and purchasing a 30 percent stake in, a primary health care provider called VillageMD, which maintains a network of approximately 2800 medical professionals. Walgreens anticipates that these doctors and nurses will work together with its pharmacists to provide integrated health care services. The clinics-within-stores will range in size from 3300 to 9000 square feet and plan to accept various insurance plans.

In contrast, in CVS HealthHub locations, doctors will not be available on site, but other health care tools will be, including kiosks to review information and take blood pressure readings. A Care Concierge also can advise consumers on what sorts of services are available to them through CVS, such as linking them to a nurse practitioner on duty at a nearby MinuteClinic, developing plans to manage chronic conditions, and facilitating their access to necessary medications, both prescription and over the counter. The Hubs thus will function in parallel with the MinuteClinics and Caremark pharmacy services that CVS already operates.

Although it is not primarily a drug store, Walmart also has a prominent role in this market, and it is starting to experiment with providing health care services. Offering flat-rate pricing, its on-site clinics (some in stores, some in close proximity) provide medical, vision, dental, and mental health services (e.g., $25 for dental x-rays, $27.96 for a flu shot). The retail giant previously had introduced a few urgent care clinics, but the most recent initiative instead signals that Walmart hopes to reach its existing market of price-sensitive shoppers, around 140 million of whom visit its stores every week, who also might prefer to pay a low, flat rate to address their general medical concerns.

Despite their differences, all these expansions reflect the similar trends affecting retailers more generally, including shrinking profits from product sales and a growing recognition of their need to integrate service offerings to keep their customers satisfied. For drugs store retailers specifically though, this trend features some critical contingencies and concerns, and it is intensified by the widely recognized crisis in health care. For people who struggle with rising health care costs, want to avoid crowded doctors' offices, and need convenient access to tests and real-world solutions, the local drug store offers great promise. The form that this service provision ultimately will take remains an open question, but the trend toward greater services is clear.

Discussion Questions:

1. **What factors are driving this transition toward service provision among drug store retailers?**
2. **Which plan seems most likely to succeed, across the three versions presented herein? Why?**

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