Newsletter for Instructors

Winter
2021

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

- **Dick's Sporting Goods Aims to Sell the Outdoors, During COVID and After** **(Chapter 11)**
- **Digital Kitchen and a Drive Through: Chipotle's Experiments with Digital Retailing** **(Chapter 3 & 9)**
- **Competitive Developments in the Pharmacy Market** **(Chapter 5)**
- **Shopify: A Retail Platform and Service Provider that also Wants to Reform Retailing** **(Chapter 1)**
- **A Plan to Grant More Autonomy to Barnes & Noble's Store Managers and Thus Gain Better Performance for Stores** **(Chapters 15)**
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Dick's Sporting Goods Aims to Sell the Outdoors, During COVID and After

Tom Ryan, "Dick's Sporting Goods to Test New 'Public Lands' Outdoor Concept," Retail Wire, December 1, 2020

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

Claiming that it had the idea in the works even before the COVID-19 pandemic, Dick's Sporting Goods recently noted its intention to open new stores under a different brand to appeal to and equip outdoor enthusiasts. The Public Lands store concept promises to stock high-end camping, hiking, biking, and fishing gear, giving people the tools they need to get outdoors and enjoy nature while also limiting their exposure to enclosed spaces, where the coronavirus is more prone to spreading.

Other retailers are already well positioned in this segment, such as REI and Patagonia, but Dick's believes that its widespread appeal and reach give it some unique advantages. In its regular stores, outdoor gear only accounts for about 20 percent of the inventory. By highlighting these technical tools in its own stores, Dick's hopes to drive customers seeking such forms of entertainment to its new chain.

Outdoor activities clearly have gained popularity and prominence during the COVID-19 pandemic, and other activities that Dick's helps equip people for, such as indoor or team sports, have been driven into hibernation. Notably, sales in bicycling categories jumped 63 percent in June 2020 alone, along with a 31 percent increase in camping-related items and a 56 percent jump for paddleboards and related accessories. Dick's also anticipates that demand will remain strong. The trends reflect more than just virus safety precautions, in that today's consumers also seek more connection with nature and stress relief, two expansive goals that Dick's believes it can help them meet with Public Lands.

For REI, these trends already have proven beneficial. Its sales of outdoor winters sports gear (e.g., skis, snowshoes) are exponentially higher for 2020 than they were for 2019. It also predicts that consumers will continue to visit its stores for their outdoor gear, without needing to try a new store to get their high-end gear.

Discussion Questions:

1. **Is the new Public Lands concept likely to succeed even after the effects of the COVID-19 pandemic have waned?**
2. **What does Dick's need to do to differentiate its offerings from those of existing outdoor retailers, such as REI?**

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Digital Kitchen and a Drive Through: Chipotle's Experiments with Digital Retailing

George Anderson, "Chipotle's Expansion Plans Include Adding 'Digital-Only' Restaurants to its Menu," Retail Wire, November 13, 2020

Use with Chapter 3, "Multichannel and Omnichannel Retailing" and Chapter 9, "Retail Site Location"

Noting that digital sales made up nearly half of all the orders leaving its restaurants in a recent quarter—a more than 200 percent increase compared with the same quarter last year—Chipotle has realized it needs better capacities for meeting digital consumers' demands. Its responses include several experimental approaches as the restaurant chain seeks to figure out which is the best choice.

Outside West Point Academy for example, Chipotle opened the first Digital Kitchen, a storefront that only supports digital orders (via its website or mobile app) and pickup by consumers. People cannot drop in to place their orders, nor can they sit down to each once they receive their food. However, while waiting for their orders, they encounter an environment (e.g., sights, smells) that mimics that of a conventional restaurant.

Another possibility is Chipoltlanes, that is, drive-through lanes added to existing stores to facilitate pickups and speed up transactions. Here again, Chipotle likely would have dedicated lanes for digital orders, in contrast with the conventional drive-through lanes at fast-food restaurants.

In addition to reflecting the pandemic-induced trends of increased digital orders, Chipotle's experiments address other challenges and needs. In particular, Chipotle certainly allows customers to place their orders through third-party delivery services, such as Door Dash. Approximately half of its digital sales are delivered by these other companies. But it hopes to lower this percentage by encouraging more consumers to place their orders directly with it, through the company's own app or website. That's because delivery through third-party companies cuts drastically into Chipotle's profits, whereas pickups by consumers ensure it retains all the revenues.

Furthermore, Digital Kitchen locations can fit into much smaller storefronts than conventional Chipotle restaurants require, so they may be ideal for crowded, urban neighborhoods, where Chipotle's growth has been limited thus far. Drive-through lanes also offer additional convenience, which many consumers prefer, regardless of whether they are social distancing or just in a hurry for lunch.

Discussion Questions:

1. **Which trends are driving Chipotle's experimentation with various store designs?**
2. **Do you anticipate that the Digital Kitchen or drive-through lanes will be successful? Is one experiment seemingly more likely to succeed than the other? Why?**

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Competitive Developments in the Pharmacy Market

George Anderson, "Will Amazon's New Online Pharmacy Disrupt the U.S. Drugstore Business?" Retail Wire , November 17, 2020; George Anderson, "Walgreens Reinvents its Loyalty Program, Launches 30-Minute Delivery Program," Retail Wire, November 20, 2020

Use with Chapter 5, "Retail Market Strategy"

Some radical changes are afoot in the U.S. retail pharmacy market. In announcements released just days apart, both Amazon and Walgreens outlined their promises to consumers and plans for ensuring their dominance and competitiveness. Their strategies differ in notable ways, but these different pathways that also feature some pertinent similarities in terms of their attempts to achieve customer loyalty.

When Amazon released its new offerings, it signaled its expansion into a relatively new market for it. Amazon Pharmacy is free to Prime members, and it promises two-day delivery of prescription medications, often at discounted prices. Members can check whether their insurance covers the costs, but Amazon also offers access to prescription drugs for those without insurance and claims its pricing is about 40 percent off conventional prices, with up to 80 percent discounts for generic drugs. To achieve this price positioning, it is working with an estimated 50,000 pharmacy providers.

Nearly simultaneously, Walgreens launched its myWalgreens loyalty program for shoppers. The free membership in the program gives consumers curbside pickup options, home delivery through third-party services, and discounts of up to 80 percent. Through a dedicated app, they can access pharmaceutical advice and virtual chats with health care professionals. Similar to its existing loyalty program, it also lets members accrue points for their purchases, which they can redeem for additional items.

Despite their differences, both the efforts signal the desire to get customers to choose and remain loyal to a single channel for their prescription needs. Walgreens hopes to leverage its stores and existing reputation and substantial market share as a pharmacy provider. It also provides specialized, health-related services that Amazon has not developed. Amazon instead aims to appeal to consumers' needs for convenience. When they order their prescription medications, they can buy nearly everything else they need for their households, likely using one-click convenience and a shopping channel they know well.

Of course, this discussion also needs to account for the efforts by CVS, which has its own subscription program, called CarePass. Members who pay a $5 monthly fee receive free deliveries of nearly everything the drugstore retailer sells, with no minimum orders.

Discussion Question:

1. **Which of these offerings in the retail pharmacy market seems most likely to appeal to consumers? Why?**
2. **What are the strengths and weaknesses of each competitor's novel attempts to appeal to and ensure the loyalty of pharmacy consumers?**

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Shopify: A Retail Platform and Service Provider that also Wants to Reform Retailing

Yiren Le, "Can Shopify Compete with Amazon without Becoming Amazon?" The New York Times, November 29, 2020

Use with Chapter 1, "Introduction to the World of Retailing"

Even among those who might have heard of it, Shopify remains a sort of shadowy force in retailing. Millions of consumers have relied on it to facilitate their purchases from the growing contingent of direct-to-consumer retailers, but few of them were aware of this usage. For Shopify, which seeks to reinvent what retailing means—and to resist the overwhelming influence of Amazon—that anonymity is just fine. But as the platform continues to grow and expand its reach, anonymity might not be optimal for long.

Let's start with what it does. Shopify is a digital retailing platform, founded in 2006 to help small companies host retail websites that would make it easy to sell their goods. Rather than trying to code and create websites on their own, these small businesses could plug in some business information, pictures of their products, and appealing marketing communications to the Shopify site and have a functioning website within minutes. It handles payment processing, gives retailers an easy means to confirm orders with customers, facilitates shipping, and even provides a dashboard that summarizes consumers' interactions with the site. In return for these expansive services, Shopify charges just $29 per month, along with a credit card processing fee for each transaction.

These affordable rates are remarkably and notably different from the fees imposed by Amazon on the third-party sellers that appear on its site. If small retailers post their products on Amazon and also request its help with fulfillment and marketing, they can wind up handing over about 40 percent of the proceeds from each sale. For many small businesses, such rates simply are not sustainable or profitable.

Shopify also differs from Amazon in its underlying philosophy. Its founders explicitly sought to build a site that would provide a counterpoint to the retail giant and to be the "rebels" combatting the Amazon "empire." In particular, Amazon requires small businesses to standardize their practices to match its operations. When consumers order from a small, local retailer through Amazon, the delivery arrives at their doorstep in an Amazon-labeled package. The transaction seems, from consumers' perspectives, to involve only them and Amazon, which limits the small retailers' ability to develop a brand reputation or customer loyalty.

As it has grown and developed—in the third quarter of 2020, it facilitated $30.9 billion in sales—Shopify has added new services that retailers on the platform can purchase. But it also allows external developers to sell their apps. That is, it does not limit the services available to its retail clients to only those features that it sells for its own profit. Thus for example, a retail client might obtain software from a different provider to add review capabilities to its Shopify-enabled site. Shopify earned about $1 billion in revenue last year, at the same time that the surrounding community of app developers together earned more than $7 billion.

Still, there are limits to what Shopify can provide. In particular, the direct-to-consumer business model requires retailers to find and appeal to shoppers largely on their own. Many of them pay to appear in advertising on Facebook and Instagram, and that method has worked well for companies such as Allbirds. Noting its satisfaction with Shopify, the founder of Allbirds explained that he appreciated being able to target specific consumers who would want high-quality, environmentally sustainable shoes. The company actively avoids joining Amazon, where it fears it would be presented alongside cheaper, poorer quality alternatives that might confuse consumers.

But Amazon also is where many consumers start their shopping journeys, so not appearing there can be risky. Another client, Brooklinen, prefers the transactions on Shopify, but it also added a page on Amazon when it realized that shoppers were searching for its sheets there and, when they did not find them, buying from other bedding retailers.

Arguably, due to its reach and reputation, Shopify could engage in more marketing and selling of the clients on its platforms, but the company (at this point) resists doing so. It does not want to become Amazon. Yet some indications suggest it is moving somewhat in that direction. A new service, Shopify Capital, provides funding to promising ecommerce practitioners. It has established new fulfillment services, for additional fees, to help retailers get their products to customers faster, though the shipments come in packaging designed by each client, rather than a standard Shopify package (as Amazon would require).

In the meantime, Shopify claims its goal is to ensure the ability of small retailers to compete, experiment, and test out their ideas. If enough small businesses can come together on a single platform, offering their diverse products and establishing their unique identities, perhaps the future will not be determined only by Amazon.

Discussion Questions:

1. **What else could Shopify do to help its small retail clients succeed in reaching end consumers?**
2. **What kinds of efforts should the small retailers that appear on Shopify undertake to make sure they can reach their customers?**

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A Plan to Grant More Autonomy to Barnes & Noble's Store Managers and Thus Gain Better Performance for Stores

Tom Ryan, "Barnes and Noble Counts on Store Managers Running its Business Better," Retail Wire, December 7, 2020

Use with 15, "Human Resources and Managing the Store"

Barnes & Noble might be a massive chain operation, but its physical stores, as meaningful assets, also can provide the kind of local, in-person access to shoppers that competitors like Amazon lack. Recognizing the relevance of this locational advantage, Barnes & Noble is seeking to intensify the benefits by encouraging even greater local specialization, with the help of another of its key assets: its human resources.

In particular, the top management team heading the corporation has committed to granting far more control to local store managers when it comes to selecting which titles will appear on store shelves. In addition to catering to local tastes, such dispersed control can help each store develop a sort of personality. A location in a more rural area might stock more how-to books, not just to support local farmers' and ranchers' efforts to fix things around their homesteads but also to reflect the store manager's own love of projects. A store that sits on an outparcel near a mall with both a yoga studio and an aromatherapy store might want to stock more meditation, philosophy, exercise, and self-help books to potentially appeal to shoppers who are likely to drop in for an unplanned visit.

Despite the promised benefits of such a strategy, it also creates some new challenges for the bookseller. Although store managers gained more responsibility and control, other jobs became redundant. Specifically, Barnes & Noble undertook layoffs of many of the corporate-level book buyers, who previously had responsibility for selecting the titles for all retail operations. Widespread layoffs can be detrimental to employee morale, even as the company is hoping to encourage more buy-in to the revised organizational chart.

Furthermore, the book buying industry features long-standing, well-established contracts between retailers and the publishers that provide their inventory. If Barnes & Noble allows local store managers to decide which texts to stock, it might find that it cannot meet preset quotas for orders of certain titles. The decentralized decision making also means that Barnes & Noble runs the risk of undermining some of the bulk discounts that it receives from publishers. If one particular store simply chooses not to carry a title, because the manager believes it will not sell, the entire chain ultimately might not buy enough to earn the discount rate.

But the firm's executives assert that these potential concerns are worth the risk, because ultimately costs across the chain will decrease if each store turns over its appropriate, curated inventory more efficiently. They also will not have to enter into excessive negotiations with publishers to get them to take back unsold books—a practice that currently eats up a lot of time and energy in the book supply chain.

Discussion Questions:

1. **For which category of human resources is this decentralization initiative beneficial, and for whom is it detrimental?**
2. **Are purchases of books sufficiently varied and subject to local whims and tastes to justify a localized strategy? Defend your answer.**

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Another Catalog Bites the Dust: The End of IKEA's Famous Printed Mailer

George Anderson, "Is IKEA Making a Dumb Mistake Ending its Catalog?" Retail Wire, December 8, 2020; Bill Chappell, "'Emotional but Rational': Ikea Discontinues its Long-Running Catalog," NPR, December 7, 2020.

Use with Chapter 3, "Multichannel and Omnichannel Retailers," and Chapter 14, "Retail Communication Mix"

The IKEA catalog lasted nearly 70 years. First published and mailed in 1951, it was long a primary source of inspiration and information for shoppers seeking to outfit their homes. Consumers thus continue to note their emotional attachment to the vast catalog, looking forward to its regular arrival in their mailboxes. At one point, IKEA was sending out 200 million copies of the approximately 200-page booklet, translated into 32 different languages.

But consumers also demonstrate, through their behavior, that their connection to the catalog seemingly has grown more emotional than functional. That is, whereas once people used the catalog intensively, both to place orders and to provide a sort of roadmap through the labyrinthine stores, today they make their purchases digitally, online or on the retail app. Therefore, rather than continuing to invest resources in a print catalog that people like but don't really use, IKEA has diverted its spending to enhancing its website and app.

Yet it does not want to alienate those few shoppers who still rely on the catalog. Thus it will continue to publish a smaller, targeted book that consumers can request. It also has archived all its catalogs on its websites, so fans can visit for a nostalgic tour of furniture trends and fashions.

But those consumers represent a minority. Online sales increased 45 percent in 2020, the last year the big catalog would be on offer, and the website counted more than 4 billion visits from shoppers.

Discussion Question:

1. **What are the pros and cons of halting publication of the catalog?**
2. **Who is IKEA's primary target market, and are those consumers likely to use a catalog or not?**

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Locking Up Distribution Options: Lowe's Embraces New Options for In-Store Pickups

George Anderson, "Will Lockers Help Lowe's Pick Up More Sales?" Retail Wire, September 23, 2020

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

Even before the COVID-19 pandemic, Lowe's had noted an uptick in the number of consumers purchasing online and then picking up the items in its stores. But the virus pushed people to be even more active in seeking options that would enable them to obtain the products they needed without requiring much (or any!) interaction with strangers. Therefore, Lowe's has sped up its novel distribution plans, aiming to get a strategic change into place faster and more extensively than it previously predicted.

This option relies on high-tech lockers, installed in some stores already and slated to be in all of them by March 2021. When consumers place orders online, it prompts in-store employees to pick the ordered items. They get installed in a locker than can be opened only with a scan of a barcode, which the system generates and send to customers via email once their order is ready. Thus for the purchasers, the items are easily and readily available, but for others, with potentially thieving or nefarious designs, they are well protected and inaccessible.

In addition to minimizing interactions with other people in the stores, the lockers eliminate the need to touch keypads or screens to complete the purchase, which represents another benefit in the coronavirus era. Reflecting these benefits, Lowe's has reported that customers in test stores indicated their great satisfaction with the lockers and intentions to keep using them for future purchases.

The home improvement retailer is not just limiting its distribution efforts to in-store experiments though. About a year ago, it announced plans for a new direct fulfillment center in California, slated to open soon, which will join an existing center in Tennessee. Once operational, these two fulfillment centers will allow Lowe's to guarantee two-day delivery to nearly all its U.S. customers. In support of its efficient delivery efforts, the company also has announced future expansions and additions to its bulk distribution centers, ecommerce fulfillment warehouses, and cross-dock delivery terminals.

That is, across the supply chain, Lowe's is working to increase its capabilities and the variety of tools it uses, to get products to customers where and when they want them.

Discussion Question:

1. **Are lockers a significant improvement over other in-store pickup options? What benefits do they offer, and are they worth the investment in building them?**
2. **What other distribution considerations does Lowe's need to address to be able to continue supporting customers' online buying, in-store pickup preferences?**

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Piggybacking on Prime Day: How Target Is Trying to Use Amazon's Biggest Sale to Its Advantage

Jason Aten, "Amazon Finally Announced Prime Day. Target's Response Is a Brilliant Example of How to Steal the Show," Inc., September 29, 2020

Use with Chapter 5, "Retail Market Strategy"

Each year, Amazon's Prime Day sale is a big deal—both in terms of the savings available to customers and with regard to the marketing used to promote the event. With communications, promos, and announcements, Amazon makes sure everyone is aware of and excited about Prime Day. But during the pandemic, with its logistics capabilities already stretched thing, Amazon also decided to delay Prime Day, rather than hosting it in July, as had been its habit. Thus observers, competitors, and customers were waiting even more anxiously than usual to learn when the shopping even would happen.

The moment came, Amazon announced the dates for mid-October—and the next thing it knew, Target was releasing its own announcement: Its Deal Days sale would be happening on those exact same dates. The coordination was a strategic effort by Target to live up to the old adage, "If you can't beat 'em, join 'em."

That is, by timing its major annual sale to coincide with Prime Day, Target made sure that it was getting some free publicity. Most reports on Prime Day were ready to mention Target as well, as another viable option for consumers looking for great deals on general merchandise. In this strategic approach, a competitor's promotion is going to generate buzz, so if the retailer can grab just a little bit of the benefits for itself, without having to pay for the marketing, it will enjoy a nice bump in sales and revenues.

Furthermore, the parallel timing enables Target to highlight how it differs from Amazon. Whereas consumers who want Prime Day deals have to pay $199 for an annual Prime membership, anyone can receive the discounts available during Target's Deal Days, without any fees.

For both retailers, the October dates are strategic too. They are trying to get a jump on holiday sales, smooth out demand from consumers, and reorient themselves in the confusing pandemic year.

Discussion Question:

1. **Should other retailers piggyback on Prime Day too?**
2. **Is October a better time for these big sales than July? Does your answer depend on the effects of the coronavirus?**

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Independent Cafés, Big Name Brands, and Coffee Supply Chains: Shifts with COVID-19

Marvin G. Perez, “Say Goodbye to Your Local Coffee Shop in America’s Café Shakeup,” Bloomberg, October 8, 2020.

Use with Chapter 2, “Types of Retailers” and Chapter 9, “Information Systems and Supply Chain Management”

The United States has long been a coffee culture, and in recent decades, consumers’ embrace of the drink has helped independent roasters and shops thrive alongside the big international chains like Starbucks and Dunkin’. People still might be drinking plenty of coffee, but their buying habits also have shifted during the COVID-19 pandemic.

Primarily, many people stopped venturing out for a daily cup of joe. Even as sheltering at home restrictions eased, they may have developed new habits, such as brewing a pot at home. If they already are working from home, people also are less likely to head out to obtain coffee, in contrast with their habit when they might driven past the café on a daily commute. For coffee shops located in city centers or office buildings, the lack of foot traffic and patrons, and thus the dip in sales, is especially acute.

Although they affect all coffee purveyors, the shifts have had more severe and detrimental consequences for smaller, independent cafés. Estimates project that more than 7 percent of them will close by the end of 2020, the first time in nearly a decade that the number of coffee retail outlets will decrease rather than increase in number. With just one or maybe a few local locations, each of these small retailers has fewer slack resources, such that any disruption to their income can be risky. They also compete on more hedonic features, such as cozy chairs in the stores for reading, locally sourced baked goods, or friendly baristas.

In contrast, the big names like Starbucks and Dunkin’ have plenty of resources to sustain their operations, even during massive slowdowns. Furthermore, they have already invested in convenience and technology advances, so they can offer coronavirus-friendly interactions that rely on mobile ordering and low-touch drive-through lanes. These competitors actively are seeking to strengthen these utilitarian advantages too, by investing even more in convenient, touchless pickup options.

These shifts also are having effects throughout the supply chain. Local cafés often source and sell high-end, high-quality coffee beans, often from local suppliers or organic or fair trade farmers. Some even maintain their own roasting operations. In contrast, Dunkin’ buys large quantities of lesser quality coffee beans. Thus for some coffee farmers and brokers, the implications of the pandemic have been minimal, but for some boutique growers, diminished consumption means substantial drops in demand for their specialty products.

Discussion Question:

1. **Since the pandemic started, have you changed your coffee drinking habits?**
2. **What options do smaller cafes have for surviving the threats of the pandemic?**

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A Team-Oriented Employment Model in Walmart Stores

Justin Bariso, "Walmart Just Made a Change that Could Shape Its Future for Years. It's a Lesson in Emotional Intelligence," Inc., September 21, 2020

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

In changing the titles and responsibilities of the people working in its stores, Walmart is attempting to reenvision what it means to work for the retailer. And in a case of putting its money where its mouth is, it is also reconsidering how it pays its employees.

But the shift is more than a simple pay raise. For example, instead of co-managers, Walmart now hires store leads; the role of team lead replaces department managers. Changing the title given to these in-store supervisors may seem superficial, but it reflects a broader, deeper notion. That is, rather than managing other employees, imposing tasks and duties on them, a store or team leader works with colleagues, leading them toward some common goal.

The new titles also come with rewritten job duties. Whereas the assistant store manager was "responsible for merchandising plans in their specific area" in a previous iteration of the responsibility chart, today, this role is called a coach, who is "responsible for financials, merchandising, staffing, and talent for a larger area." With this reconsideration of the responsibilities for these various roles in the store, Walmart is acknowledging and simultaneously encouraging a more encompassing view of how people work. Rather than solely being interested in their specific area of the store, Walmart wants its coaches and leads to consider the implications of their decisions for the store (and company) overall.

With this more expansive view, ideally, store employees work together to share resources, ideas, and efforts and thus achieve more effective store operations. The training that Walmart is providing leads and coaches also encourages their critical thinking and collaboration skills. For associates, the redesigned training explicitly adopts a cross-functional approach, with the idea that if a stock clerk suddenly needs to staff a checkout counter because the store has gotten very busy, she or he should have the training to do so.

This new perspective implies more responsibilities for people in the stores, but instead of just leaving it at that, Walmart has committed to raising its hourly pay rates. Leads start at $18 and can earn up to $30 per hour in busy Supercenters. Frontline employees will now earn $11–$15 per hour as a starting rate.

As noted, such efforts are forward looking. Walmart wants its stores to run better, and a team approach may be the way to achieve that goal. But they also represent rewards for jobs well done, especially during the COVID-10 pandemic. Noting how store associates went "above and beyond to make sure customers have access to the items they need," Walmart executives revealed their awareness of a key principle of retailing: Ultimately, employees may be the most valuable resource that a successful retailer must have.

Discussion Question:

1. **Which are most important—new titles, redefined roles, or pay raises—for encouraging team-based work efforts?**
2. **Is a team-based approach appropriate for Walmart? What challenges might adopting this approach raise for the retailer?**

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