



# RETAILING MANAGEMENT

Levy|Weitz|Grewal

## Newsletter for Instructors

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

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RETAILING  
MANAGEMENT

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# What Does a Remote Workforce Really Mean for Workers and the Companies that Employ Them?

Dror Poleg, "The Winners of Remote Work," *The New York Times*, September 4, 2021; Eduardo Porter, "The Work-from-Home Economy and the Urban Job Outlook," *The New York Times*, September 3, 2020; Daisuke Wakabayashi, "Google Delays its Return to Office until January," *The New York Times*, September 6, 2021

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



A work-from-home economy has cascading effects, some of which are only now being revealed, after more than a year of COVID-19–induced changes in how, when, and where people work. For retailers, the pandemic immediately created staffing challenges, whether because they had to shut down and thus could not continue to employ their existing staff members or because workers refused to take frontline jobs and put their own health at risk.

But the persistence of the virus and the associated implications for the workforce go well beyond these immediate impacts. Economists predict that due to the widespread realization that many jobs could be done remotely, because COVID-19 forced that option, the character of work has irreversibly changed. One estimate indicated that about half of all employed people worked from home at the height of the

coronavirus lockdowns, and about 20 percent of the overall workforce is continuing to do so, even after the lockdown mandates have eased. That level represents a quadrupling of the number of at-home workers that existed prior to the pandemic.

This shift offers both benefits and risks. Notably, some companies prefer employees to commute to offices and incentivize them accordingly. For example, Google warned employees who wanted to keep working from home, especially in remote locations (i.e., which likely have lower costs of living than those near its Bay Area headquarters) that it would be adjusting (i.e., lowering) their pay accordingly. Yet in nearly the same breath, it noted that its planned office reopening was going to be delayed further, in response to the devastating spread of the Delta variant of COVID-19, pushing it at least until January 2022.

But other firms encourage the dispersion of their corporate employees; REI dismantled its centralized headquarters and told the approximately 1,800 people who previously had desks there that they could work from home. If they wanted to interact with coworkers, they also could visit one of the multiple, smaller, satellite offices it would spread throughout its home region.

If centralized offices disappear though, a variety of other businesses that have served the people working at them likely will disappear too. For example, coffee shops and lunch spots nearby urban centers would be hard pressed to survive if, say, 20 percent of the office workers they previously targeted as customers simply stopped coming to work. In Atlanta, as one example, whereas employment levels have rebounded pretty much to the same level they were before the pandemic, the leisure and hospitality sector has lost 13 percent of its jobs.

To find both employees and customers, companies thus may need to rethink their strategies for reaching them. Recruitment drives will need to address how and when employees can work remotely; staff management will have to figure out how to coordinate and supervise employees without interacting with them personally. To market and sell to customers in their homes, companies also must reconsider the channels they use, which in turn will have more far-reaching implications for delivery and other such supply chain considerations.

## Discussion Question:

1. Do you expect your ideal future job to involve remote work? Offer a prediction of what that might entail.
2. Should companies accept remote workforces, or should they develop incentives to keep people in one location?

# So Are Retail Sales Back, or Are They Still Depressed by the Pandemic? Yes.

Justin Lahart, "Weak Retail Sales Offer Preview of Coming Attractions as Delta Variant Spreads," *The Wall Street Journal*, August 17, 2021; Omar Abdel-Baqi, "Target Sales Increase as Shoppers Return to Stores," *The Wall Street Journal*, August 18, 2021; Jaewon Kang and Sharon Terlap, "Americans Are Stocking Up on Toilet Paper Again," *The Wall Street Journal*, August 31, 2021

## Use with Chapter 4, "Consumer Buying Behavior"

As one of the industries most affected by the COVID-19 pandemic, retailing has been frantically searching for insights into what to expect next. Are shoppers going to come back to brick-and-mortar stores? Will sales increase once more people are vaccinated? How many delivery drivers do they need to hire? And seriously, do they need to start overstocking their toilet paper inventories again?

Unfortunately for retailers, the answers and predictions are all over the place. There is no consistency in either the outlooks or consumers' behaviors, which seemingly change from moment to moment. For example, June 2021 saw a big jump in consumer buying, maybe because people started to feel a little more comfortable as COVID-19 seemed to come under some level of control. Or maybe it resulted from Amazon's decision to move up its Prime Day to that month, which prompted many other major retailers to offer sales then too. But by July and August, spending was back down, whether because the Delta variant had started to spread and spook consumers or because they'd spent too much on Prime Day.



Even individual retailers cannot quite get a sense. Target happily announced a sizable bump in its second-quarter sales for 2021—even as it also cautioned that it predicted even more volatility in its sales in coming months. But the retailer also noted that it had learned valuable lessons from the past year, such that it had more inventory on hand and in stores, just in case new COVID-19 developments resulted in supply chain bottlenecks, such as those that kept stores out of stock during the height of the pandemic.

In particular, it wants toilet paper and other paper products on hand, because some trends indicate that consumers are back on their stockpiling habits. Whereas purchases had leveled out, compared with the remarkable jump in sales of paper towels, toilet paper, and wipes in the early lockdown phases, it appears that people's personal inventories are running low. As the Delta variant surges, people also are reinvigorating their cleaning habits, such that the unusual buying behavior seems driven by both inventory levels at home and still-shifting preferences for achieving a sense of protection against the virus.

For retailers, good predictions are hard to come by, but the best answer might be to keep trying to gather ever more precise data. For example, grocery retailers have a much different perspective than sellers of other types of products. Their performance is deeply dependent on good supply chain operations that keep daily necessities in stock. People are still going to buy groceries, no matter how the coronavirus develops or evolves, whereas retailers selling cars, appliances, and other items that people can delay need to address other marketing considerations and develop distinct strategies. But for grocery retailers, keeping inventory levels high seems to be the key—especially in the toilet paper aisle.

## Discussion Questions:

1. What sorts of additional data might retailers gather to improve their sales predictions? What are some key sources of these types of data?
2. Noting existing trends, grocery retailers might be safer from sales dips than other retailers. Are there any markets that seem likely to be particularly at risk, as COVID-19 continues to exert its influence? Offer a list of likely targets.

# Finding Just the Right Wedding Dress—But Right Now!

Kaitlin Menza, “You Want that Wedding Dress When?” *The New York Times*, August 25, 2021

Use with Chapter 4, “Consumer Buying Behavior” and Chapter 9, “Information Systems and Supply Chain Management”



Planning a wedding takes, on average, about a year. And if they want the dress of their dreams, brides need to make shopping for their gown one of the first steps they take. If they want a designer gown, tailored just to their liking and with a perfect fit, the shop needs months to place the order; wait for their supplier to gather the high-end materials like fabric, lace, and beading; wait for the skilled sewing staff to stitch all the pieces together; receive the dress back; call the bride back for a fitting; and make any the necessary adjustments and alterations.

Or at least, that’s what used to happen. But the wedding industry, devastated by COVID-19—compelled cancellations and postponements, has upended, abbreviated, and altered the entire process. Many of the people who had postponed their ceremonies, in the hope that they could celebrate with all their friends and family after the pandemic, have given up on that idea and decided to go ahead with some version of a wedding, often with a short time horizon. Thus they need dressmakers to provide them something lovely in which to get married, even if their plans are set for just about a week or two from now.

The effort required to do so is both tremendous and welcome. Many dress retailers and manufacturers suffered dire losses during the pandemic. Being able to put their tailors and sewers back to work feels like a reward for surviving the down times, such that the suppliers are unwilling to turn down many requests, even if they would have seemed impossible in the past. As one designer put it, “If I have the fabric, if I have the lace, we don’t say no.”

The question is whether they have the fabric and lace. Beads, largely sourced from India, which has suffered terribly from the COVID-19 pandemic, have not been widely available. In turn, wedding fashion has moved away from heavily beaded dresses out of necessity. Rather than ornate designs, which the suppliers likely could not achieve in time to meet demand in current supply chain contexts, brides are leaning toward simpler versions, especially if they can be tailored quickly.

The need for tailoring is not just because they want their dress fast. Another trend, prompted by COVID-19 restrictions on big weddings, has been for couples to go ahead and get married in simple, civil ceremonies with very few people, then host more festive occasions more recently, among a somewhat larger group of vaccinated family members and friends. But as is common among newly married people, by the time of the second ceremony, many of the brides are pregnant or have recently given birth, such that they need their dresses to be tailored quickly, just days before the wedding, to match the current shape of their bodies.

For dressmakers, the skills in high demand thus have shifted: Whereas once they might have needed to have scores of skilled bead workers on hand, today those artisans need to be able to let out seams and still keep the dress beautiful, under strict time constraints. The new requirements are tough to meet, but for the wedding industry, any business is great business these days. For now, quick and beautiful is the goal, and the assorted members of this supply chain are determined to achieve it.

## Discussion Question:

1. What other actors in the wedding industry supply chain have likely been affected by these shifts in consumer behavior?
2. Are there any other ways that wedding dress providers could speed up delivery, while still maintaining consumers’ desired quality?



# Does Installing Charging Stations Make Sense for Gas Stations Yet? Will It Ever?

Jennifer Hiller, "Gas Stations Face Tough, Costly Choice on EV Chargers," *The Wall Street Journal*, August 10, 2021

Use with Chapter 8, "Retail Site Location"

Electric vehicles (EVs) currently account for about 2 percent of the automotive market. Is that enough to justify the costs to retailers to install charging stations? Probably not. But at the same time, various car manufacturers have announced their plans to roll out more EVs in coming years, and the Biden administration has set a formal target, calling on the industry to reach 50 percent EVs by 2030. If half of all drivers had EVs, would that be enough? Probably so. For gas stations, truck stops, and convenience stores, the real question then becomes, What is the point at which the answer changes?

According to the parent company of the RaceTrac chain of stores, there currently is not a "viable business case" for adding charging stations to its existing retail locations. In contrast, a small chain of 46 gas stations in Texas and Oklahoma has decided to add them, but the chief executive of the firm also admitted that the choice meant having to figure out the best designs and pricing on the fly.



The decision also depends on what other relevant actors seem likely to do. For example, some industry experts predict that widespread adoption of EVs is still a long way off, such that investing in charging stations today is too early. They anticipate a slowing rising curve, meaning that the retailers can take some time before putting their money into charging stations that very few people are using.

From a competitive perspective, gas stations and convenience stores worry about their capacity to sell electric charges profitably if instead utility companies start developing their presence in this market. According to one argument, charging stations should be incentivized and subsidized by the government, to ensure they are available everywhere. In that case, existing utility companies might get contracts to install charging stations in non-retail locations, such as at rest stops along highways. If consumers can use those stations, they might be less likely or willing to make a separate visit to their local convenience store to get a charge, rather than just charging from the road and then waiting until they get home to complete the refueling.

But despite these concerns, the promise of charging stations is hard to ignore. If predictions of expanded adoption are accurate, someday people are going to start demanding this service—perhaps especially the wealthy market of consumers who already can afford a Tesla, for example—or else take their business elsewhere if it isn't available. In addition, even the most powerful chargers need about a half-hour to give a vehicle battery a good boost, which means that convenience stores would have a captive audience of shoppers for at least that long, who are likely to grab some snacks and drinks while they wait.

## Discussion Questions:

1. Should convenience stores and gas stations invest in charging stations now or wait? Defend your answer.
2. What factors should these firms take into consideration in making their choice?

# At Your Mental Health Service: How Hospitality Providers Are Expanding Their Offerings with Wellness Retreats

Debra Kamin, "For Those Stressed Out by COVID-19, Hotel Spas Say They Have the Answer," *The Wall Street Journal*, August 26, 2021

## Use with Chapter 17, "Customer Service"



The health and wellness service sectors have been expanding for a while, and the coronavirus has hastened that growth, due to the challenges it has created for virtually everyone in the world. By throwing people's mental health struggles in high relief, COVID-19 has prompted more people to seek out services that can help them deal with those challenges. For hospitality brands, the answer is clear: Make mental health and wellness services readily available to anyone staying with them.

Many hotels already have spa facilities on site, offering massages or pedicures to weary travellers or vacationers who want a little pampering. By expanding the assortment of services they offer, they also seek to appeal to people who are finally getting to travel a little, often for the first time in years, but who are continuing to confront the stresses of the pandemic.

For example, at Miraval Resort and Spa locations, a video series of soothing soundscapes and visual images, developed in collaboration with mental health professionals, helps patrons relax and achieve a meditative state. Different hotels in the Four Seasons chain provide sound healing as a restorative therapy, or else hypnosis sessions. An independent spa in Nashville combines sound healing, chakra balancing, and massages with herbal poultices in what it calls the Kundalini treatment. Rather than virtual depictions or sounds, the Carmel Valley Ranch relies on the horses it maintains on its property to provide visitors a form of therapy, in which they interact comfortably with the animals.

Before introducing a package it calls Wellbeing Sanctuaries to potential guests, the Banyan Tree resorts in Singapore provided the elements to its staffers, whom it recognized as being stressed and fearful due to the pandemic as well. The package offer includes a 64-point wellness assessment, followed by meditative practice to manage stress and gain what it refers to as emotional resilience.

The range of options suggests that people can find the treatment that will work best for them. Such pursuits are important in our current era: Whereas only 11 percent of people surveyed by the Census Bureau diagnosed themselves as depressed or anxious in 2019, that number rose to 42 percent by the end of 2020. A depressed and anxious society cannot thrive. But by helping people deal with their anxieties and stresses, hotels providing wellness service might thrive themselves.

### Discussion Questions:

1. Are hotels appropriate providers for mental health and well-being services? What risks are involved in this service provision?
2. What other wellness practices might hospitality industry service providers add to their offerings?

# Experimenting with Store Designs: Which Among Them Seem Likely to Stick?

Matthew Stern, "Can IKEA's Store Layout Still Amaze without a Maze?" *Retail Wire*, August 30, 2021; Matthew Stern, "Best Buy Builds a Virtual Store to Assist Customers Remotely," *Retail Wire*, August 31, 2021; Dave Sebastian, "Toys 'R' Us to Open Shops Inside More than 400 Macy's Locations in 2022," *The Wall Street Journal*, August 19, 2021

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

Retailers are constantly trying out new ideas for attracting shoppers. Even seemingly foundational designs might get questioned, if the retailer is serious about staying ahead of the game, being innovative, and ensuring it is sufficiently interesting to consumers. Consider some examples.

Visitors to IKEA know what to expect, every single time: a massive space, with a maze-like layout, which they wend their way through over the course of a lengthy shopping trip, and then finish up with a snack of Swedish meatballs. But a new concept store in Shanghai, similar to an existing one in Poland, instead is built to allow shoppers to find lounge spaces where can hang out on the furniture. In workshop spaces, they encounter staffers who can offer a quick assembly tutorial or assistance with repairing a broken piece of furniture that the consumer already owns. The easy-to-find work and lounge spaces do not direct them along any particular path, and the restaurant highlight sustainable food choices.



This leisurely design joins another IKEA concept, being tested in a few regions, that embraces small spaces. In cities like Vienna and London, as well as New York City's Queens borough, locations that are about half the size of traditional IKEA stores specialize in décor and furniture for small homes. On the Upper East Side of New York, a pilot store instead offers a planning space, where nothing is actually for sale, but customers can walk through to get design ideas and assistance.

Best Buy also is trying out some non-purchase spaces, leveraging its existing distribution centers to establish backdrops for staffers who interact with shoppers virtually. These expert staffers can walk around the distribution center to present various products to customers, who contact them for insights or advice. Thus the virtual link might enable shoppers to see insides of an appliance model, or the expert might detail all the steps and tools needed to install a new home security system. The retailer anticipates that customers would use this service both when they are at home, thinking about the purchases they need, and while in stores, where limited shelf space might not allow Best Buy to display every refrigerator model and dishwasher that customers might be considering buying.

Another Best Buy store also is experiential, though it allows people to come to the location. It is dedicated solely to gaming and tech gear. Located in Houston, the pilot store is staffed mainly by Geek Squad members, and it aims to attract dedicated gamers who want to try out every piece of high-end equipment before adding it to their at-home arsenal.

Experimenting with new store designs even might be a lifeline, as Toys 'R Us's latest effort implies. The bankrupt toy store chain has been struggling to find a way back, and its new stores, installed within Macy's locations, might offer a helpful bridge. Without any independent physical stores remaining in operation in the United States, the retailer has not been able to overcome its struggles. But by creating stores-within-stores, it can get its name and offerings back in front of shoppers. In turn, Macy's anticipates sales increases for itself, because people who come to purchase gifts for their spouses or siblings also can find fun toys for the children in their lives.

Unlike the Best Buy or IKEA examples, the Toys 'R Us locations are planned for hundreds of Macy's stores, suggesting greater confidence in the likelihood of success. By the same token, stores-within-stores are not really novel designs, to the same extent as the concept stores being piloted by those other retailers are. Novelty aside though, the question remains: Which of these concepts will actually appeal to and attract shoppers?

### Discussion Question:

1. Which of these concept stores do you believe is likely to succeed?
2. Which ones would you be likely to try, as a customer?
3. Do your answers to these questions differ? Why?

# Another Type of Long-Haul Damage: The Lingering Supply Chain Challenges of COVID-19

Sapna Maheshwari and Patricia Cohen, "Retailers' Latest Headache: Shutdowns at their Vietnamese Suppliers," *The New York Times*, September 29, 2021; Peter S. Goodman, "Global Supply Shortages Reach All the Way to a Haitian Aid Group," *The New York Times*, September 23, 2021

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



The effects of the COVID-19 virus on supply chain operations were immediately and clearly evident to consumers who struggled to find fresh meat, disinfectant wipes, and toilet paper during 2020. Although many of those critical shortages have been resolved, the long-term implications for global supply chains continue to emerge, leaving lasting and detrimental impacts throughout global markets.

Take shoes as an example. In Vietnam, which is the world's second largest supplier of shoes, the initial pandemic wave was relatively well-contained. But the Delta variant wreaked terrible havoc, arguably because the relatively poor country lacked sufficient

vaccines to inoculate its population. During the summer months of 2021, an estimated 766,000 Vietnamese people caught the coronavirus, and more than 19,000 of them died. To contain the spread, Vietnam's government imposed strict lockdowns. The factories that supply global clothing and shoe companies thus have shut down for extended periods.

The bottleneck means that many consumer brands, such as Nike, Everlane, and Old Navy, are preparing for four to six week delays in deliveries of their existing orders—a delay that threatens their ability to meet demand during the holiday season. Some firms that had moved their supply operations away from China and into Vietnam, whether as an ethical stance or in response to heightened tariffs placed on goods coming from China, now are considering moving back.

But even considering the potential loss of revenue for companies and the inconvenience of Western consumers facing low stock levels, the real threat involves other, less privileged actors in global supply chains. Low-wage workers in Vietnam, after months of shuttered factories, lack the most basic necessities. They already earned a poverty wage; without even that income, they are at great risk.

Furthermore, when it comes to products like shoes, some end-consumers express needs, not just wants. For example, the nonprofit group the Haitian American Caucus solicits donations of used shoes from U.S. consumers. It ships those shoes to the underdeveloped island nation and provides them to low income women, who then sell them to earn income for their families. But it has been receiving far fewer shoes than it needs to supply the people who depend on this resource, because U.S. consumers do not have options for replacing their existing footwear. In addition, suppliers that once might have donated overruns or previous seasons' styles are now keeping those products to sell in their conventional channels.

These sorts of challenges and struggles clearly are not limited to the global shoe supply chain. But this example reveals just how pervasive the implications of the COVID-19 have been, and will continue to be, for nearly every member of every supply chain, all the world over.

## Discussion Question:

1. What solutions or alternatives are available to global brands whose supply chains are disrupted for such extended periods?



# Targeting Prescription Customers with Labeling that Accounts for Their Abilities

Joshua Brockman, "Specialty Pharmacies Cater to the Blind and Those with Impaired Vision," *The New York Times*, September 21, 2021

## Use with Chapter 17, "Customer Service"

Advanced technologies that allow for remote and socially distanced interactions between consumers and [retailers/service providers] have been a boon during the COVID-19 pandemic for many people. But these technological solutions to the problems of the pandemic have created serious challenges for other people, particularly the 85 million U.S. consumers who live with a disability. For example, drive-through COVID-19 testing and vaccination drives have allowed millions of people to determine whether they are infected or receive protection against the virus. But for people who cannot drive, mandates that require the drive-through services, and do not offer an in-store option, limit their access to such critical care.



One such group is those with limited vision. In addition to being unable to enter a drive-through to receive testing, they struggle with other forms of access to health care. Prescriptions offer a compelling example. Especially during the pandemic, when people actively sought to reduce their visits to stores or pharmacies, reliance on mail orders for prescription drugs increased. But that option represents a substantial hurdle for the approximately 12 million people in the United States with limited vision, who might have tended to rely on in-person interactions with a pharmacist to receive necessary instructions. The packaging and labeling of most drugs uses tiny print, both on the bottles and in instructions related to appropriate dosing, refills, and contraindications. Without ready access to personalized information, provided verbally, many vision-impaired consumers have struggled to ensure they are taking their medications safely and receiving refills promptly.

Some technology-based solutions are available. If pharmacies add a tag to prescription bottles, an app called ScripTalk can scan that tag and provide an account of relevant information to users. But not all pharmacies provide this service; for example, Walmart offers it in only about 1,800 of its locations. Although CVS makes ScripTalk available through its website, it does not automatically add the tags to bottles.

A potentially more appealing option thus moves away from an exclusive reliance on technology. Small, innovative, and neighborhood pharmacies are recognizing the vast potential market of people who need personalized assistance to achieve their own health goals. Headquartered in Pennsylvania, Accessible Pharmacy caters specifically and exclusively to people with vision impairments. It encourages phone calls from customers, during which its staffers discuss the customers' needs, review the various prescriptions they have received, check for contraindications, offer suggestions for when and how to take the medication, and remind them of refills.

Then they send out the medications, which feature large print, Braille, or a text-to-speech tag, depending on the customer's preference. The employees also might recommend the option of pills with slightly different surfaces, such as if different versions need to be taken in the morning and at night, to help people confirm they are taking the right medication at the right time. If customers need more assistance once they receive the medications, they can contact the company through Be My Eyes, a video chat app that allows sighted service providers to review any questions the customers might have. Beyond medications, Accessible Pharmacy also offers medical devices and monitors that provide spoken reports, such as blood pressure cuffs, glucose meters, and thermometers.

Notably, one of the founders of Accessible Pharmacy has a hospitality background and also works as a marketing professor. The foundation and driving motivation in starting the business was "to create a company where accessibility and reduction of barriers would be our primary focus with an incredibly welcoming sense of hospitality." It provides the resources consumers need, in the way they need it, right when it is required. And that's good marketing.

## Discussion Question:

1. What packaging options could pharmacies implement more widely to ensure wider access to necessary medications among people with disabilities, such as those with limited vision? Should such packaging be required by law, to ensure fair service provision?
2. Is segmentation based on disability status an effective and ethical approach? When is it more or less appropriate?

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# A New Extension by Amazon, the Online Retailer Known for Basic Goods: Fashion Apparel in Physical Stores

Sebastian Herrera and Khadeeja Safdar, "Inside Amazon's Department Store Plans: High-Tech Dressing Rooms, Its Own Apparel Brands," *The Wall Street Journal*, September 22, 2021; Sebastian Herrera, Esther Fung, and Suzanne Kapner, "Amazon Plans to Open Large Retail Locations Akin to Department Stores," *The Wall Street Journal*, August 19, 2021

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



It's long been clear that Amazon wants to dominate pretty much every retail sector, segment, and assortment. Despite its start as an online marketplace and its success in utterly transforming the retail landscape, it also appears determined to go back and take over the space that previously had been held by companies that it has sought to outcompete and potentially drive out of business.

The most recent example is its reported plans to become a department store that sells fashionable clothing. Many conventional, traditional department stores have struggled to keep afloat in competition with Amazon. One report notes that whereas they accounted for approximately 10 percent of all retail sales about 20 years ago, today department stores only make up 1 percent of that total. When traditional companies like Macy's, JCPenney, or Lord & Taylor have vacated their large spaces,

Amazon has identified opportunities. In some cases, it uses the large, vacant department stores as distribution centers, as we have noted previously in these abstracts.

But now it appears (though these reports remain unconfirmed) to be planning to establish tech-enabled department stores that stock Amazon-branded fashion apparel. According to reports, shoppers will be able to select various garments that they would like to try on by using their phones, whether clicking on Amazon's website or scanning a tag in the store. Store personnel then will fill a dressing room with those items; the smart fitting rooms will be equipped with touchscreens so customers can request other items or sizes, as well as receive recommendations for complementary accessories. In the future, Amazon reportedly will rely on robots to bring the chosen items to people in dressing rooms, though the current plans still involve human retail employees.

The focus on apparel is intentional too. Clothing offers strong profit margins, so if Amazon can continue to establish its owned fashion brands, such as Lark & Ro and Goodthreads, as appealing options, it can solidify its competitive advantages. In 2021, it already had passed Walmart in clothing sales, making it the largest seller, likely to earn about \$45 billion in clothing and shoe sales alone this year. Just as in most of the sectors in which it competes, Amazon's primary and initial focus is on building market share. Profits, it believes, will follow later.

In addition to expanding its reach, the department store concept promises to help Amazon overcome two complaints that shoppers note with its main retail channels: They don't want to have to pay for shipping or a Prime membership, and they want to try on clothing before purchasing it. Although Amazon's Personal Shopper service has sought to address some of those concerns by offering personalized recommendations for those who sign up, it cannot provide the in-store experience that many consumers enjoy.

Will a tech-enabled department store provide that enjoyment? Will shoppers be convinced that Amazon is a fashionable brand? Can Amazon be a fashion retailer, as well as a seller of books, groceries, and other more practical goods? It has suffered some stumbles before, such as when it tried to market an Amazon smartphone or introduce a restaurant delivery service. But is it likely to do so this time?

## Discussion Question:

1. Is this extension into areas that contrast with Amazon's initial foundation (e.g., sales of books and other commodity-like products online) appropriate and likely to succeed? Why or why not?
2. Do smart fitting rooms and other technology-enabled tools align well with the image of a fashion brand?

# Minimal Packaging and Sustainable Happy Meals: McDonald's Uses a Rebranding as an Opportunity to Become More Environmentally Responsible

Brooke DiPalma, "McDonald's Gives Happy Meal Toys a Sustainable Makeover in Climate Push," Yahoo Finance, September 21, 2021; Sara Spary, "Here's the Story Behind McDonald's 'Aesthetically Minimal' Global Packaging Redesign," AdWeek, February 17, 2021; McDonald's, "Packaging and Waste," <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact/our-planet/packaging-and-waste.html>

## Use with Chapter 5, "Retail Market Strategy"

A global brand, with locations everywhere in the world, needs to take any rebranding effort cautiously. It's a lot of work, and there are a lot of potential missteps. So when McDonald's decided to alter its packaging and visual marketing strategy, it started more than five years before the results were actually launched and available in stores. Along the way, it added and adapted the plan, to reflect newly arising goals and objectives.

The emerging imaging is clean and minimalistic, reflecting the sense that the packaging for Big Macs and Egg McMuffins can prioritize the McDonald's brand, rather than needing to describe the contents. Consumers know they are getting their familiar favorites, so the packaging offers the restaurant chain an opportunity to reinforce its overall brand image and consumers' sense of connection with it. Furthermore, the straightforward labels on packages do not feature much text that would require translation into different languages, such that they can be adopted globally and easily.



Along with the simplicity of the redesign, McDonald's took a minimalistic-oriented perspective on the packaging itself. Having committed to achieving 100 percent recycled material by 2025, McDonald's claims to have reached the 80 percent level. It also is testing straw-less lid options in various international markets, experimenting with wood-based utensils, and adopting more recycled fiber-sourced packaging overall.

These efforts revealed another notable and perhaps unnecessary source of plastic waste, namely, the toys contained in Happy Meals. In efforts to mitigate this negative impact, experiments undertaken in some international sites, such as the United Kingdom, Ireland, and France, present children with toys that are made mostly of sustainable materials, leading to a 30 percent reduction in the amount of virgin plastic contained in the giveaways. In addition, the corporation has sought advice from toy engineers, parents, and suppliers to innovate new types of toys that do not require plastic, such as buildable crafts or construction kits. In creating these novel options, McDonald's noted its goal to make the offerings appealing to adults as well, such as interactive games that would allow families to play together. For toys that still require plastic, McDonald's is experimenting with recycling old versions or else worn-out trays, so that it can close the supply loop at least partially.

The process thus might have taken more than five years, but by allowing it to continue and develop, McDonald's has been able to integrate growing demands for environmentally responsible packaging into its brand redesign, resulting in an overall refresh that also signals a recommitment to sustainability.

## Discussion Question:

1. What benefits does a simplified brand logo and packaging offer McDonald's? What risks might they entail?
2. Can McDonald's achieve true ecological and environmental responsibility, considering its product offerings, global footprint, and packaging needs? Defend your answer.

# Retail Tidbits

## Surveying Vaccine Mandates and Employee Expectations

Andrew Ross Sorkin, Jason Karaian, Sarah Kessler, Stephen Gandel, Lauren Hirsch, Ephrat Livni, and Anna Schaverien, "When Will Offices Be Full Again?" *The New York Times*, September 1, 2021

A vast number of surveys are being conducted these days, seeking to understand and anticipate how people are continuing to react to COVID-19 and its ongoing implications in their daily lives. Many of those surveys focus on their work lives, as well as their personal preferences. For example, a report based on surveys of 2,400 U.S. workers conducted in September revealed that nearly half of them expressed salient concerns about going back to work, due to their fear of catching the virus and exposing family members to it—approximately double the number who said the same thing in June 2021. They also noted the importance of their employers' policies, such that about one-third planned to look for a new job, and of those, 80 percent cited flexible work arrangements as a driving factor. Companies evidently recognize these trends; another survey, involving 1,000 companies that account for about 10 million employees, reveals that more than half of them plan to institute vaccine mandates, and 21 percent already have them in place. But even if they do not demand vaccines, most companies will be keeping track of which of their employees have gotten them, possibly even offering health insurance incentives to get non-vaccinated people to take the shot (similar to the incentives offered to smokers to get them to quit).

## A Challenge to a Long-Standing Pricing Tactic

Al McClain, "Ending Prices that End in 99 Cents," *Retail Wire*, September 1, 2021

For marketers and pricing managers, the benefits of odd price endings have long seemed like a given. According to a frequently confirmed theory, because consumers (in Western markets) read prices from left to right, and they have limited cognitive capacity, they read a price of \$19.99 as equivalent to \$19, rather than as \$20. The lower price should evoke more purchases, so a substantial number of businesses rely heavily on this pricing strategy. But new research challenges this foundational premise, at least in certain situations. The novel evidence indicates that odd prices might undermine marketers' efforts to get people to move up to a more expensive version of the products for sale. For example, when experimenting with a small and large coffee, priced at either \$.99 and \$1.20 or else \$1 and \$1.25, the researchers found that more people upgraded to the larger, more expensive coffee in the latter situation—despite the larger price difference. The coffee experiment took place in the field, with real customers. But the researchers also replicated their findings with far more expensive product offerings, such as cars and apartments, in laboratory experiments. The researchers offer an explanation for their findings, by arguing that the gap between prices seems larger when they feature odd numbers. That is, the difference between \$19.99 and \$25 seems like it is greater than the one between \$20 and \$26, regardless of the objective value. Such insights offer more nuanced insights for pricing managers. They might still want to enjoy some of the long-established benefits of odd number pricing if they are simply trying to make a sale. But if the overall strategic goal is to get consumers to trade up, they might need to reconsider.

## Protecting Tools: Home Depot's High-Tech Solution to Retail Theft

Matthew Stern, "Home Depot Turns Off Thieves' Power to Use or Sell Stolen Tools," *Retail Wire*, August 24, 2021

Theft is an eternal, expensive, irritating problem for retailers. But beyond simple shoplifting, organized crime rings that target specific retailers and their products have wide-ranging and detrimental impacts on not just the retailers and their employees but society as a whole. In a novel, tech-savvy move to try to thwart them, Home Depot has added a notable step to its purchase process. When regular customers go to make legitimate purchases of various power tools, checkout clerks will use a Bluetooth-enabled device to activate a code for the power tool that allows it to function normally. Without this step, the electric drill, saw, or screwdriver simply will not operate, even if fully charged. Acknowledging that there might be ways around the new system (e.g., enterprising thieves might hack the tools, criminals also might try to steal the Bluetooth devices to be able to activate the tools on their own), Home Depot considers this effort as a viable means to make the theft that much more difficult. Such hurdles should be effective in halting organized theft rings, which tend to hire vulnerable local people to engage in the actual theft, then bring the stolen items to the organizer, who then moves to sell it. By hindering these steps, the company hopes it can convince the crime rings to move on to other, easier activities.