

# RETAILING MANAGEMENT

11E

## Newsletter for Instructors

September-  
October  
2022

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

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# Walmart and Target Are Among the Retailers Slashing Prices

Grace Dean, "Walmart Is Cutting Prices of Clothes and General Merchandise to Appeal to Inflation-Hit Shoppers," *Insider*, July 26, 2022; Connor Hart, "Don't Expect Big Consumer Brands to Lower Prices Soon," *The Wall Street Journal*, July 26, 2022; Nathaniel Meyersohn, "These Stores Are Increasing Deals, Lowering Prices to Attract Inflation-Weary Shoppers," *CBS News*, August 1, 2022; Melina Delkic and Jason Karaian, "Target Will Take a Profit Hit to Clear Out Inventory that Shoppers Don't Want," *The New York Times*, June 7, 2022

## Use with Chapter 7, "Financial Strategy" and Chapter 14 "Retail Pricing"



Shoppers, get your credit cards ready. Some, but not all, of America's largest retailers have too much inventory just lingering around—and while this may portend badly for these companies' stock prices and earnings, consumers can expect some great deals coming their way. Walmart, for example, announced in July that it would be slashing prices, especially on clothes. The reason it offered, in a Fiscal Year 2023 update, is that highly inflated food prices are "affecting customers' ability to spend on general merchandise categories and requiring more markdowns to move through the inventory." (Yeah no kidding, Walmart! How about a sale in the grocery section?)

Target, too, announced plans for "inventory optimization"—including markdowns, removing excess inventory, and canceling orders for new goods. These moves are designed to "right-size" its inventory for the remainder of the year, "and create additional flexibility to focus on serving guests in a rapidly changing environment." In other words, who knows what this crazy economy is going to do next, so Target wants to be ready to adapt and change. The company learned this lesson the hard way; just three weeks before announcing these changes, Target's shares fell by 25 percent, due to worse-than-expected earnings.

But not all prices are going down. Brands like Coca-Cola, Dove beauty products, Cottonelle toilet paper, Huggies diapers, and Burger King, among others, have all raised prices, and they are not planning to lower them any time soon. McDonald's noted that some customers appear to be "trading down" by buying less expensive products and fewer combo meals. But others are "trading down" too, simply by visiting McDonald's. These are consumers folks who used to go to more expensive restaurants, but now if they want to avoid cooking, they seek out a comparatively less expensive Big Mac.

According to Kimberly-Clark CEO Mike Hsu, the company needs to keep walking a fine line, offering lower-cost products to budget-conscious consumers, while not "pushing" customers toward those cheaper alternatives. "We want to be very cognizant that we don't move the whole market that way. There are plenty of consumers that, despite the impact of the economy ... they are still looking to trade up," he said.

Luxury shoppers, meanwhile, are continuing to spend with aplomb despite higher prices. LVMH Moët Hennessy Louis Vuitton SE said that it had not received any customer pushback to its higher prices. Nordstrom and Macy's also indicated that sales of luxury goods were strong. Let them eat cake, purchased at inflated prices.

### Discussion Questions:

1. Why are Target and Walmart lowering the prices of some of their goods?
2. Why would consumers of luxury goods not push back against higher prices?
3. Given what McDonald's is observing with its customers, what other brands and products would you expect to find some customers cutting back on, while other customers are buying more of the offerings?

# In a Hard Economy, Kroger Comes out on Top

Tom Ryan, "Kroger Simplifies Its Budget Private Labels," *RetailWire*, September 12, 2022; Jaewon Kang and Will Feuer, "Kroger's Sales, Profits Grow as U.S. Shoppers Prioritize Essentials," *The Wall Street Journal*, September 9, 2022; "Kroger Reports Second Quarter 2022 Results and Raises Full-Year Guidance," *ir.kroger.com*, September 9, 2022; "Kroger Q1 2022 Earnings Release," *static.seekingalpha.com*, June 16, 2022

## Use with Chapter 6, "Retail Marketing Strategy" and Chapter 10 "Information Systems and Supply Chain Management"

Hey, at least inflation is good for someone! That someone here is Kroger, the beloved Ohio-based grocery chain. More customers are buying their groceries at Kroger, and customers are spending more when they do their regular shopping, according to the company's second quarter earnings report.

Identical sales are up 5.8 percent in the latest quarter. (These are sales to retail customers, from all departments at identical supermarket locations, excluding fuel. Kroger defines a supermarket as "identical" when it has "been in operation without expansion or relocation for five full quarters.") Digital sales have grown by 8 percent, and sales of Kroger's lower-priced store brands are up by 10.2 percent. The company also said that coupon downloads are at a record high, and on a call with analysts, a representative promised that its app growth "is showing promising results." All these positive reports add up to \$731 million in profits for the three months ending in August, up from \$467 million the year before.



Kroger attributes these successes to a mix of innovations, plus an economy that has left customers far more cost-conscious. As an example of both these points, Kroger has pared down its dozens of private-label lines to just two—Heritage Farm for fresh foods and dairy products, and Smart Way for nonperishables. Smart Way launched in September with about 150 products, with more expected to follow.

Kroger also said it is focusing on becoming more efficient in the procurement and distribution of groceries, such as by maximizing its trucking capacity. In detail, "Our consistent performance underscores the resiliency and flexibility of our business model, which enables Kroger to thrive in many different operating environments," it assert, in what seems to be a bit of an understatement. The company also expressed commitments to affordable wages for employees, and investing in "zero hunger, zero waste communities because when we do those things well, we deliver attractive and sustainable shareholder returns." It all sounds pretty delicious.

### Discussion Questions:

1. Do you think it's a smart move for Kroger to consolidate its in-house brands? Why or why not?
2. Why would investing in employee wages and zero hunger, zero waste communities lead to better returns to shareholders?
3. Can you think of other types of businesses that might thrive in a time of high inflation?

# Nailed It! Target Debuts Robot Manicurist

Matthew Stern, "Will Robots Nail in-Store Manicures at Target?" *RetailWire*, September 8, 2022; "Yahoo Finance Video Clockwork Partners with Target to Install Automated Manicure Machines in Stores," *Yahoo Finance*, September 2, 2022; Ritukar Vijay, "Robots in Retail: Delivering the Goods in 2022," *Robotics & Automation News*, July 27, 2022; Lisa Fickenscher, "Robots Will Restock Grocery Shelves in Hundreds of Stores Amid Labor Shortage," *NY Post*, August 9, 2022; Omenaa Boakye, "Wait, What's the Clockwork Manicure?" *InStyle*, April 25, 2022; Renee Rodriguez, "I Tried a Clockwork Manicure and Had My Nails Painted by a Robot," *POPSUGAR*, September 2, 2022; Alex Barreira, "Nail-Painting Robots? Startup Is Testing the Market," *bizjournals.com*, June 14, 2021

## Use with Chapter 18, "Customer Service"

Robots are increasingly helping out in retail environments. They can flip burgers, deliver packages, provide security, and restock grocery shelves. And now, in certain select Target locations in California, Minnesota, and Texas, they'll give you a \$10 manicure—\$8 for your first appointment.

Target has partnered with the robot design company Clockwork to install robot manicure machines in six Target stores, to start. Looking somewhat like a large, table-top soft drink dispenser, the machine scans the user's hands, then leverages 3D modeling technology to apply the lacquer, one nail at a time. Each nail takes about 30 seconds; the whole process takes around 10 minutes—about one-tenth of the time needed to get nails done in a salon.

This is a "MiNiCURE," as promotional materials say, not a full manicure. The machines don't remove polish, file or buff nails, or push down cuticles. They don't even apply a top coat. All they promise is a simple, robot-applied paint job, full stop—a promise that beauty editors have more or less unanimously raved about, in the dozens of articles with variations of the headline "I got my nails painted by a robot."

Clockwork was launched in 2018, by a couple of software engineers who met while working in Dropbox's machine learning division. The CEO and co-founder Renuka Apte said she came up with the idea because she felt like she was wasting so much time sitting in salon chairs and wanted an alternative. "I felt like a fresh coat of paint should be as easy as getting a coffee," she explained.

The first prototype came out a year later. When COVID-19 arrived soon after that, touchless manicures started seeming like an even better idea.



Target's six machines may be many people's first encounter with their new robot manicurist. But Apte recently told Yahoo Finance that Clockwork is booking orders for 2023, "because we're backed up that much with the demand that we've got."

### Discussion Questions:

1. What is the advantage of a robot manicure over a traditional manicure?
2. Do you imagine robot manicures taking the place of traditional nail salons?
3. Are there other beauty and wellness treatments you can imagine being done by robots?

# Walmart Wants to See You in Your Undies, so You Can See Yourself in Its Clothes

George Anderson, "Will Upgraded Virtual Try-on Tech Get More Walmart Shoppers to Say Yes to the Dress?" *RetailWire*, September 15, 2022; Sarah Perez, "Walmart Introduces Virtual Try-on Tech Which Uses Customers' Own Photos to Model the Clothing," *TechCrunch*, September 15, 2022; Denise Incandela, "Walmart Launches Zeekit Virtual Fitting Room Technology," *corporate.walmart.com*, March 2, 2022; Jordan Hart, "Walmart Introduces Virtual Fitting Room Feature so Customers Can Try on Clothes from Home—but It Requires Stripping down to Your Underwear or Tight-Fitting Clothing to Use," *Yahoo! Finance*, September 17, 2022; Uday Sampath Kumar and Siddharth Cavale, "Walmart Sees Smaller Annual Profit Drop as Discounts Draw Inflation-Hit Shoppers," *Reuters*, August 16, 2022; Denise Incandela, "Walmart Levels up Virtual Try-on for Apparel with Be Your Own Model Experience," *corporate.walmart.com*, September 15, 2022

## Use with Chapter 5, "Consumer Behavior"

Walmart has too much apparel on its hands and in its warehouses. In the face of inflation, consumers have cut back on certain types of discretionary spending—and shopping for clothes at Walmart fits into that category. To clear some room and stimulate some spending, Walmart slashed prices on its clothes. But midway through the year, the company realized consumers still were not buying.

So it launched a new tool that could get shoppers buying clothes again—if they are willing to snap a photo of themselves in their underwear. Walmart's new Be Your Own Model app lets shoppers undertake virtual try-ons of clothing. Available to iOS users in the Walmart app, Be Your Own Model has shoppers take a picture of themselves in their underwear or tight fitting clothes. Then, they can use themselves as the model for over 270,000 apparel items.



In promotional materials, Walmart said customers will have access to an "ultra-realistic simulation with shadows, fabric draping and where clothing falls on their figure in seconds." They can try on different colors, sizes, and items in a flash, to see how the pieces would actually look their own body. To make this possible, Be Your Own Model employs technology that previously has been to create highly realistic topographical maps. (Cue: "Your Body Is A Wonderland.") This advanced capability makes Be Your Own Model different from other try-on apps, which overlay a picture of clothes onto a picture of the user, without the extras that show a more realistic fit.

Items from Walmart's private-label brands like Free Assembly, Scoop, No Boundaries, and Pioneer Woman are available to try on in the app, along with some items from outside brands like Champion and Levi's. More items and brands will become available over time, Walmart says.

Denise Incandela, executive vice president of apparel and private brands for Walmart U.S., refers to Be Your Own Model as the "most realistic" virtual try-on app she has ever seen. She also acknowledges its appeal by noting that the app "creates a gamification of shopping that we believe will be very compelling to the customer." (Walmart did not offer an explanation as to how the app is gamified. This term generally means that customers can earn points or rewards in the app.)

For anyone intrigued by the idea, but not quite ready for photos of themselves in their underwear to be part of an online experience, Walmart also offers a Choose My Model app, through which shoppers can pick one of 50 models who range in size from XS–XXXL. No actual stripping down required.

### Discussion Questions:

1. Do you think Be Your Own Model will get more shoppers to buy clothes from Walmart?
2. What else should Walmart try, to attract more clothes buyers?
3. As virtual try-on apps improve, what effect will they have on the fashion retail market?



# Dollar General Will Keep Selling (Some) Groceries and Other Goods for \$1

Matthew Stern, "Dollar General Plans to Expand Its Selection of \$1 Items," *RetailWire*, September 16, 2022; Heather Lalley, "Dollar General's \$1 Groceries Are Here to Stay," *CSP*, September 14, 2022; Nathaniel Meyersohn, "Why Dollar Tree's Price Hike to \$1.25 Could Be 'One of the Worst Decisions in Retail History'," *CNN*, December 8, 2021; Nathaniel Meyersohn, "Rising Prices Are Pushing Shoppers to Dollar Stores," *CNN*, June 8, 2022; Jon Springer, "Dollar General Plans to Self-Distribute Fresh, Frozen Foods," *CSP*, March 18, 2019; Sam Silverstein, "Dollar General Bulks up on Perishables in Q4 as Overall Comps Wilt," *Grocery Dive*, March 18, 2022; Marianne Wilson, "Dollar General Posts Strong Q2, Upbeat Guidance," *Progressive Grocer*, August 26, 2022

## Use with Chapter 14, "Retail Pricing," and Chapter 15, "Retail Communication Mix"

There aren't a lot of grocery bargains to be had these days—unless you're shopping at Dollar General. While competitor Dollar Tree has raised the price of many of its goods to \$1.25, Dollar General is committed to keeping lots of items at just one buck, and even expanding its \$1 offerings, while also expanding its grocery offerings. This decision and dedication reflect Dollar General's recognition that its consistently low price offerings are counted on by "core customers" whose incomes are less than \$40,000 per year, and who run out of cash in the last week of most months.



These customers are visiting stores more often, though they make fewer purchases during each visit, likely signaling their budgetary constraints. The stores are also attracting new, newly budget-conscious customers who are seeking less expensive groceries, as inflation is otherwise driving food prices up, and up, and up.

Currently, about 20 percent of Dollar General's merchandise is selling for \$1. The retail chain is working toward offering even more products at this price. It also is bolstering the fresh, refrigerated, and frozen foods that make up its DG Fresh initiative. The company is now self-distributing refrigerated and frozen foods across its 18,000-plus stores, and it plans to have fresh produce in 3,000 stores by year's end, in an effort to compete with traditional supermarkets instead of convenience stores. In support of this initiative, Dollar General plans to install more than 65,000 refrigerator cooler doors this year.

It's good for customers' bottom line, and Dollar General's, too. A second quarter report showed that sales had increased 9 percent to \$9.4 billion, and same-store sales rose 4.6 percent. An updated full-year sales prediction indicates that full-year sales will increase about 11 percent, up from the previous estimate of 10 percent.

### Discussion Questions:

1. Why would Dollar General not raise its prices, even while its competitors are doing so?
2. Is it good or bad for business, for Dollar General not to raise prices?
3. Could Dollar General compete with traditional supermarkets? How should it go about doing so?

# Starbucks Wants to Sell You NFTs

Sarah Perez, "Starbucks Details Its Blockchain-Based Loyalty Platform and NFT Community, Starbucks Odyssey," *TechCrunch*, September 12, 2022; Matthew Stern, "Where Is Starbucks' NFT Odyssey Heading?" *RetailWire*, September 16, 2022; "Starbucks Brewing Revolutionary Web3 Experience for Its Starbucks Rewards Members," *Starbucks Stories*, September 12, 2022; David Rodeck and Benjamin Curry, "What Is Blockchain?" *Forbes*, April 28, 2022

## Use with Chapter 5, "Consumer Buying Behavior," and Chapter 11, "Customer Relationship Management"

Once upon a time, Starbucks introduced all of America to cappuccinos. Now the coffee behemoth wants to do the same for NFTs. In September, Starbucks announced the launch of Starbucks Odyssey—a new part of the Starbucks Rewards loyalty program that offers customers access to non-fungible tokens, or NFTs, and other digital goodies. Before we get to the details, let's take a trip through the fundamentals: NFTs are unique digital "tokens" that are bought, sold, and owned using blockchain technology. Those tokens can be anything that lives online—artwork,



videos, music, a recording of you telling your dog he's the very best boy—while blockchain is, according to *Forbes*, "a distributed digital ledger" that stores records of transactions involving, among other things, cryptocurrency and NFTs.

So what does this have to do with coffee? Starbucks Odyssey users, who log onto this platform via the Starbucks Rewards app, will enjoy "digital, physical and experiential benefits," according to a news release. These benefits include interactive games and other activities intended to deepen customers' relationship with and knowledge of coffee. Those who complete the "journeys" are rewarded with collectible NFT journey stamps.

Starbucks will also sell limited-edition stamps. The stamps, featuring artwork created by partnering artists, will include point values based on their rarity. The stamps can be bought and sold on the Odyssey marketplace. With enough points, users will have access to products and experiences like a virtual espresso martini-making class, special Starbucks merch, and even a trip to a coffee farm in Costa Rica.

In an attempt to make it easier for all to participate, purchases can be made with regular credit cards, no cryptocurrency needed.

TechCrunch notes that while some companies might be accused of digital tourism, if they attempted what Starbucks is doing here, Starbucks has a long history of using emerging technologies early and well—making them easy for customers to use, and in so doing, making it easy for customers to be more engaged with Starbucks. Starbucks installed Wi-Fi in its stores before it was commonplace at coffee shops, for example, and it invited customers to place online orders before COVID-19 made doing so the norm.

How long will we have to wait to buy our Starbucks NFTs and embark on our coffee journeys? The company has opened up a waitlist for Starbucks Odyssey—you can sign up at [waitlist.starbucks.com](https://waitlist.starbucks.com)—with plans to start sending invites later this year. Get in early, if you can, to participate in and even influence how this program develops. Starbucks says it will use feedback from these early users to "shape the future" of the platform.

### Discussion Questions:

1. Does it make sense for Starbucks to sell NFTs?
2. What are other ways for companies to engage customers with blockchain technology?
3. Do you have any expectations for how the platform might evolve and change, as people start using Starbucks Odyssey?

# Want FAO Schwarz Toys? Take a Trip to Target!

George Anderson, "Should Target Expect Something Big from Its FAO Schwarz Toy Deal?" *RetailWire*, September 14, 2022; "Target Announces Exclusive Multiyear Agreement with FAO Schwarz Ahead of Holiday Season," *corporate.target.com*, September 12, 2022; Cortney Moore, "Target, FAO Schwarz Partner for Holiday Toy Season," *Fox Business*, September 14, 2022; Emma Stessman, "Target and FAO Schwarz Have Teamed up to Reveal the Hottest Toys of 2022," *Today*, September 12, 2022; Lauren Thomas, "FAO Schwarz Makes Its Return to New York. Here's What Its New Store Looks Like Inside," *CNBC*, November 16, 2018; Daniel Kline, "Target Stock Rises as the Chain Becomes a New Take on the Mall," *The Street*, March 28, 2022

## Use with Chapter 12, "Managing the Merchandise Planning Process," and Chapter 13, "Buying Merchandise"

This announcement could be a game changer, literally and figuratively: Target just announced an exclusive, multi-year agreement with legendary toy maker FAO Schwarz. Beginning in mid-October, FAO Schwarz toys will only be available at Target stores, FAO Schwarz stores, and on Target's website.

More than 120 toys will be available, to start. Target says the toys will include FAO Schwarz Style Runway 4-Sided Fashion Show Playset, FAO Schwarz Ride On Train, FAO Schwarz Makeup Vanity Mirror Set, Dance on Piano Mat—which you might remember from the Tom Hanks favorite *Big*—and more than 50 new plush toys. These toys will range in price from \$9.99 to \$149.99, with 50 toys selling for under \$20. A capsule collection celebrating FAO Schwarz's 160th anniversary will include nostalgic picks like a Hot Wheels Collector Set, Funko Toy Soldier Pop, FAO 160th Anniversary Teddy Bear, and UNO, each costing \$25 or less.

Each Target toy section will reserve dedicated space for the FAO Schwarz goods with "playful" displays, according to Target. Some stores will also have live demonstrations. The collaboration is not totally unprecedented; Target and FAO Schwarz partnered together for the 2020 holiday season, and this new agreement suggests that the partnership went well.

For Target, which has partnerships with Disney, Ulta Beauty, Magnolia, Levi's, and even Starbucks, this venture with FAO Schwarz may seem like (good) business as usual. For FAO Schwarz, which has had a tumultuous two decades—filing for bankruptcy a couple of times, closing its flagship 5th Avenue store, being bought then sold by a failing Toys 'R Us—the agreement with Target might seem more like Zoltar coming through, to make the company's biggest wish come true.



### Discussion Questions:

1. Do you think the partnership between Target and FAO Schwarz will be successful for both parties?
2. Why does Target partner with so many outside brands?
3. If you were advising Target, with what other brands would you suggest it should consider partnerships?



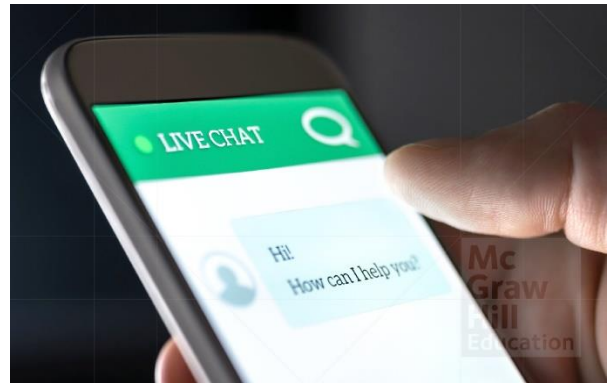
# Now This Is Innovation: Real Live Sales Associates Answering Customer Service Messages

Alex Harring, "Your Call to Bonobos Might Not Be Answered by the Next Available Agent," *The Wall Street Journal*, August 28, 2022; Tom Ryan, "Should Store Associates Handle Customer Service Chats?" *RetailWire*, September 13, 2022

## Use with Chapter 18, "Customer Service"

When you reach out to customer service at most companies, you expect the person handling your inquiry to be in a specialized customer service center—if they're a person at all, and not an AI chatbot. But the menswear company Bonobos has taken the opposite approach. Many customer service chats are answered by real live Bonobos sales associates, called "guides," who staff the company's retail stores.

This approach to customer service began as a pilot in 2019, spurred by an employee's suggestion, and now all the company's 62 retail stores are participating. "It has been a positive shift," according to Bonobos's finance and operations chief David Meir Sasson, with benefits for customers and guides. Customers, who largely have questions about sizing, styling, and fit, enjoy connecting with associates who have expertise in these areas. Meanwhile, the guides develop new skills and have more "opportunity to interact with their customer."



The guides-cum-customer service agents paint a slightly less rosy picture though. When interviewed, many frontline employees express their strong dislike for dealing with a regular barrage of angry messages. They also find it more difficult to execute their in-store responsibilities while handling customer service chats. Some customers have registered complaints too, saying it has become too hard to reach a customer service representative when they need one.

But if there are wrinkles to iron out in this hybrid approach, the concept arguably has promise. If and as companies refine the model, they might assign employees to specific shifts when they will answer chats, different from the days on which their primary responsibility is to attend to in-person customers. Then employees can anticipate their days better, customers can be covered regardless of the channel they choose, and Bonobos can reap the benefits of happy stakeholders.

### Discussion Questions:

1. What are the advantages and disadvantages of Bonobos's hybrid customer service approach?
2. How do you think companies can overcome the challenges that accompany this model of customer service?
3. Do you think other companies should try out the Bonobos model of customer service?

# Ulta Is Pretty Great at Selling Beauty Products

Ellen Thomas, "How Ulta Is Resetting the Mass Beauty Shopping Experience," *WWD*, March 23, 2018; Tom Ryan, "Should Ulta Be Merging Premium and Mass Beauty Products in Its Stores?" *RetailWire*, September 9, 2022; Georgina Caldwell, "Ulta Beauty Q2 2022: Outlook Raised as Net Sales Jump 16.8 Percent," *Global Cosmetics News*, August 31, 2022; Motley Fool Transcribing, "Ulta Beauty (ULTA) Q2 2022 Earnings Call Transcript," *The Motley Fool*, August 26, 2022; "Ulta Beauty Posts Strong Q2 and 6-Month 2022 Results," *Global Cosmetic Industry*, August 25, 2022; "Ulta Beauty Announces Second Quarter Fiscal 2022 Results," *businesswire*, August 25, 2022

## Use with Chapter 14, "Retail Pricing" and Chapter 17, "Store Layout, Design, and Visual Merchandising"

Not everyone has enough money to feed themselves these days, but enough people have enough money that Ulta Beauty saw its net sales go up by 16.8 percent, or \$2.3 billion, in the second quarter of 2022, compared with the equivalent period the previous year. In turn, the country's largest beauty retailer adjusted its full-year forecast upward, to \$9.65–9.75 billion rather than \$9.35–9.55 billion.

In an earnings call, CEO Dave Kimbell described how Ulta did it, citing the company's success in providing consumers—hungry for new forms of self-expression, now that people are going out in person again—an expansive range of products that fall into the beauty category, and a lot of ways to discover and buy a lot of products. New brands like Drunk Elephant, Fresh, and Supergoop!, as well as new products from existing brands, are giving customers plenty of options for spending their dollars. Ulta guided consumers to eco-friendly items by better highlighting its Conscious Beauty products. The company also has launched an accelerator program for BIPOC-led beauty brands as part of expanding the BIPOC beauty products on offer.



Ulta is also giving consumers more ways to buy, online, in person, and both, with "ongoing efforts to evolve the omnichannel experience through a connected physical and digital ecosystem." It also is expanding its partnership with Target. Then in the fall, Ulta plans to "introduce a new layout in select stores to elevate key growth categories, unify the presentation of skincare and makeup, and enhance the store."

This new layout will include merging premium skincare and makeup brands with those that have a more mass-market price point, within the same in-store displays. Previously, Ulta separated its products by price point, with more expensive makeup and skincare products on one side of the store, and cheaper products on the other. The new displays are designed to be more intuitive and "better reflect how a guest really shops."

Ulta is one of the few beauty retailers to sell both mass-market and prestige products. Its recent shifts in strategy and plans arrive as more consumers are "trading down" in some of their shopping, due to inflation eating up more of every paycheck. The world isn't always pretty, but beauty customers try.

### Discussion Questions:

1. Why do you think Ulta is doing so well, in such a tough economy?
2. Do you think it's a good idea for Ulta to merge prestige and mass-market products on the same display?
3. What else would you advise Ulta do, to attract more consumer spending?

# Meijer's Smaller New Stores Are Still Huge

Matthew Stern, "Will Miniature Meijers Be a Big Hit?" *Retail Wire*, September 4, 2019; "Totally New," *meijer.com*; Russell Redman, "Meijer Takes Deeper Dive into Grocery," *Supermarket News*, September 6, 2022; Matthew Stern, "Meijer Thinks Smaller (but Not Small) with Its New Grocery Concept," *Retail Wire*, September 7, 2022; "Meijer Introduces New Grocery Store Concept to Provide Fresh, Convenient Shopping Options Closer to Home," *newsroom.meijer.com*, September 1, 2022; Jeff Wells, "Meijer Grocery Is Coming in 2023," *Grocery Dive*, September 2, 2022

## Use with Chapter 17, "Store Layout, Design, and Visual Merchandising"



You can get anything you want at a Meijer superstore—seriously, anything. The Midwestern chain carries groceries, clothes, beauty supplies, household goods, things for your pets, electronics, toys, sporting goods, party supplies, even auto parts. In early September, Meijer announced it would be making it even easier for customers to find what they want, because it would be introducing a brand new concept.

Meijer Grocery will be a smaller outlet—though still quite enormous, ranging from 75,000 to 90,000 square feet, whereas traditional Meijer stores are between 150,000 and 250,000 square feet. Inside a Meijer Grocery store, customers will find produce,

meats, a deli, a bakery, packaged foods, pet and party supplies, a pharmacy, and flowers, among other goods. In a news release, Meijer said the new stores would be tied in with the Meijer mPerks program, and that Meijer Grocery shoppers also would have access to the Shop and Scan app functionality, which allows them to scan items with their phone as they are shopping, then check out using a QR code. Although Meijer's usual home delivery and pickup options are available, it designed each store to maximize parking near the door.

Meijer plans to open its first two Meijer Grocery stores in 2023—both in Michigan, where the chain is based. Their openings are not Meijer's first foray into smaller-scale retailing though. Beginning in 2018, the retailer has been opening what it calls "neighborhood markets" in urban and suburban areas. These markets, which are around 40,000 square feet each, offer coffee bars, artisan goods, and regional treats, in addition to all the groceries you could ever want or need. All they're missing are clothes and auto parts.

### Discussion Questions:

1. Are the smaller concept stores a good move for Meijer?
2. What are some other ways Meijer can reach new customers, who don't live near one of its superstores?
3. Are there other superstore retailers that could consider opening smaller, more tailored outlets like Meijer is doing here?

# Sephora Enters into \$1.2 Million Settlement for Illegally Selling Consumer Data

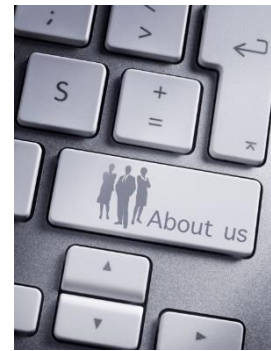
Matthew Stern, "Sephora Learns an Expensive Lesson about Customer Data Privacy in California," *Retail Wire*, August 31, 2022; David Ingram, "Cosmetics Retailer Sephora to Pay \$1.2 Million under Sweeping California Privacy Law," *NBC*, August 24, 2022; "Attorney General Bonta Announces Settlement with Sephora as Part of Ongoing Enforcement of California Consumer Privacy Act." *oag.ca.gov*, August 24, 2022; "First California Consumer Privacy Act Enforcement Action and Settlement," *National Law Review*, September 8, 2022; "CCPA vs CPRA: What's the Difference?" *Bloomberg Pro*, July 13, 2021; John Woolfolk, "California Fines Sephora \$1.2 Million for Data Privacy Violation," *siliconvalley.com*, August 24, 2022

## Use with Chapter 5, "Consumer Buying Behavior"

Sephora scores high marks for selling customers high-end makeup. But it earns much lower marks for allegedly selling customers' data, in violation of California's first-in-the-nation consumer protection law.

California Attorney General Rob Bonta has announced a settlement with the cosmetics giant, under which Sephora will pay \$1.2 million and comply with certain other terms. These mandates demand that it clarify its online disclosures and privacy policy to include an affirmative representation that it sells data; provide mechanisms for consumers to opt out of the sale of personal information; and submit regular reports to the California Attorney General about its sale of personal information.

This settlement is reportedly the beginning of real enforcement of California's Consumer Privacy Act, which was signed into law in 2018 and went into effect in 2020. The law provides California consumers more transparency and control over how their personal data are collected and shared.



Bonta told NBC that his office found Sephora's violations while conducting a "sweep" of online retailers for potential violations. Sephora, which is owned by French luxury goods conglomerate LVMH, stands accused of telling customers their data would not be sold, even while it still was allowing third parties to track those data as customers shopped the Sephora website. These third parties built profiles of customers based on the type of computer they were using, the brands and items they selected for their shopping carts, and their physical location. In addition to the profits earned from selling these detailed data, Sephora benefited by being able to provide more targeted marketing on its own.

In a statement, Sephora took issue with these behaviors being considered a "sale" under the California law. The California Consumer Privacy Act "does not define 'sale' in the traditional sense of the term," Sephora said. "'Sale' includes common, industry-wide technology practices such as cookies, which allow us to provide consumers with more relevant Sephora product recommendations, personalized shopping experiences and ads."

According to the complaint filed by California's Office of the Attorney General, Sephora also illegally failed to process customers' requests to opt out of the sale of their personal information. But it was not the only one; Bonta noted that his office has sent out notices of violations to more than 100 other companies. They have 30 days to respond.

"The kid gloves are coming off," Bonta said in a news conference. "There are no more excuses. Follow the law. Do right by consumers."

### Discussion Questions:

1. Does this settlement sound fair to you?
2. Do you think other states should enact privacy laws like California's? How about the U.S. federal government?
3. What would an ideal consumer privacy law look like?



# Retailing Tidbits

## I'd like to buy the world a Coke ...

Elizabeth Crawford, "Coca-Cola Co. Considers Additional Price Increases Ahead of Potential Recession," *foodnavigator-usa.com*, April 26, 2022; Jeff Gelski, "Coca-Cola to Keep Passing through Costs," *Food Business News*, July 27, 2022; Kelsey Davis, "Will There Be an End to the Soda Price Increase? Not Likely. Here's Why," *The Repository*, September 9, 2022; Connor Hart, "Coca-Cola Posts Higher Quarterly Sales Despite Price Increases," *The Wall Street Journal*, July 26, 2022

### Use with Chapter 15, "Retail Communication Mix"

I'd like to buy the world a Coke ... but it's gotten too expensive. In a bold move, Coca-Cola executives say they intend to keep raising their prices—even while inflation-shocked consumers are looking for places to save some bucks. The U.S. Bureau of Labor Statistics finds the average cost of a 12-ounce can of soda, in a 12-pack, has increased by 45 percent in less than four years. So how can Coke get away with it? In short, because despite the higher prices, customers keep buying the company's fizzy drinks. In July, after Coca-Cola posted higher than expected second quarter earnings, its chief financial officer noted, "We continue to see resilience and a lot of demand not just in the U.S. but across the world." Then he offered some theories for why this resilience persists—including pent-up demand for going out to theme parks and movie theaters, where a Coke is part of the experience. Another hypothesis is that there just is not a satisfactory lower-cost alternative. Whatever the reasons, it seems lots of people are going to keep having a Coke and a smile, at any cost, and perhaps just cut back elsewhere.

## How to get a bargain on a Tesla Full Self-Driving program?

Kevin Armstrong, "Tesla FSD Cost and Price Increase History," *not a tesla app*, September 9 2022; Matt McFarland, "Tesla Raises Price of Feature It Calls 'Full Self-Driving' to \$15,000," *CNN Business*, August 22, 2022; Lora Kolodny, "Elon Musk Says Tesla Will Hike the Price of FSD Driver Assistance Software by 25% in September," *CNBC*, August 21, 2022; Andrei Nedelea, "Tesla Full Self-Driving Price Officially Increased to \$15,000," *InsideEVs*, September 6, 2022; Rebecca Bellan, "Drivers Sue Tesla for Alleged False Advertising of Autopilot and FSD Software," *TechCrunch*, September 15, 2022; Fred Lambert, "Tesla Relaunches \$6,000 Enhanced Autopilot—Cutting Full Self-Driving Package in the Process," *electrek*, June 24, 2022

### Use with Chapter 14, "Retail Pricing"

If you wanted a bargain on a Tesla Full Self-Driving (FSD) premium driver assistance program—well, you're a few years behind. In 2019, it was possible to buy the FSD for a mere pittance: just \$5,000. That price went up to \$12,000 in 2022, and then, as of September of the same year, it has reached \$15,000. What do drivers get for all that money? Not enough, according to one publication, which advised against purchasing "what is basically just access to unfinished, work-in-progress software." The FSD package is neither full nor self-driving. In turn, a class action lawsuit brought against Tesla accuses it of false advertising, to that very point. The features—like Navigate, which helps drivers get on and off the highway, and Smart Summon, which is supposed to let people perform some partial operations of their vehicles through their phones—are intriguing and promising but also, according to consumer complaints, flawed and accident-prone. Furthermore, drivers have another option available to them: Tesla's Enhanced Autopilot system does just slightly less—it even has the Smart Summon feature—at a cost of only \$6,000.