

RETAILING MANAGEMENT

11E

Newsletter for Instructors

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Giving Advertisers Insights into In-Store Behaviors: How Sam's Club Is Taking Omnichannel to New Levels

Use with Chapter 2, "Types of Retailing," and Chapter 4, "Multichannel and Omnichannel Retailing"



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If a consumer buys a particular brand while shopping at Sam's Club, should that sale be attributed prior promotional campaigns, in-store inducements by the retailer, or marketing efforts by the brand in that particular setting?

If the person is shopping online, the answer might be relatively clear. When a browsing shopper clicks on a banner ad on a retailer's website or app, the sale probably should be attributed to that campaign. But these questions continue to plague marketers when they investigate offline sales. Determining why a particular consumer chose a particular brand on a particular day in

a particular store is nearly impossible, without asking that consumer directly and at that moment.

In its efforts to help its suppliers attribute sales of their products more accurately, Sam's Club has introduced a new tool that links consumers' online and app behaviors with their in-store purchases, then makes those data available to brands that are members of its Member Access Platform (MAP). In real-time, the tool can determine if a consumer searched for, say, pickles or paper towels or plastic containers through the Sam's Club's website or app. If that same consumer then purchases pickles or paper towels or plastic containers, the MAP makes that link immediately clear, so the brands that earned the purchase know which marketing communication likely drove the consumer to buy. To support these efforts, the retailer's app features links that allow consumers to click on advertisements and place the promoted items into their carts, whether to purchase digitally or as a reminder for when they get to the physical store.

According to the head of sales for the MAP program, approximately half of all Sam's Club shoppers who visit its app already search for specific items and products they want to buy, so these insights encompass and provide insights into a lot of consumers. Brands in turn can leverage the detailed, data-supported insights to develop more tailored, specific, and successful advertising campaigns, because the MAP data show them whether consumers purchased through the app but also whether they followed their search on the app with a purchase in the store. According to Sam's Club, the capabilities provided by MAP already have increased advertisers' returns on ad spending (ROAS) by 30 percent.

A key benefit of this tool is that it does not require a loyalty card, which is the method many retailers use to gather such data insights. But not all consumers want to join a loyalty program or remember to present their loyalty cards for every purchase. Because Sam's Club is a membership-based retailer, it already knows who the consumers are at the moment they begin to shop.

Of course, Sam's Club is not limiting its data power to benefiting brand partners. It also has added video capabilities to its existing in-store cleaning robots to track inventory levels and the status of its displays. With these real-time insights, it ensures that the shelves are consistently well stocked, attractive, and appropriately presented. Shoppers therefore enjoy a more pleasurable consumer experience in stores, because they can find what they want and need easily. Such strategies still benefit manufacturers though, because they put their products in front of consumers, rather than running the risk of unidentified stockouts on shelves that fail to get replenished in time.

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Discussion Questions

1. As a membership-based retailer, Sam's Club can identify shoppers immediately when they enter stores. How might other, non-membership-based retailers learn shoppers identity, if they want to adopt a similar data system?
2. How might Sam's Club combine its inventory data with purchase data to gain even more insights into shoppers' behaviors and preferences?

Sources: Peyton Begora, "Sam's Club Bridges Online and In-Store Data Gap," *Marketing Dive*, March 23 26, 2023; Judy Mottl, "Sam's Club Leveraging Data to Boost Customer Shopping Experience," *Retail Customer Experience*, July 11, 2023; Sam's Club, "Sam's Club Member Access Panel (MAP) Pioneers True Closed-Loop, Omnichannel Attribution for Advertising," March 21, 2023; Sam's Club, "Sam's Club Member Access Panel Demonstrates Significant Return on Ad Spend for Omnichannel Campaigns," July 18, 2023

TikTok: Home for Entertainment, Advertising—and Now Sales

Use with Chapter 3, “Digital Retailing”

The TikTok Shop is about to drop.

Having long ago figured out how to monetize the content that appears on the social media site, through advertising revenues, TikTok is now looking for a new source of income, by installing a “Shop” button, on both its landing page and select content providers’ pages. When users click on the button, they either go straight to the purchase page or can access the digital marketplace of all items for sale through TikTok.



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For users and consumers, the added button provides a convenient, accessible means to obtain the products that influencers and featured personalities on TikTok are using or wearing. Considering TikTok’s role, as a “cultural trendsetter” and arbiter of coolness, such ease of use and direct access should appeal to consumers. They do not have to search far and wide for the latest gadget or pants style but instead can have it shipped quickly to them, simply by surfing social media, as they would have been doing anyway. Thus for example, if they watch a TikTok that features Kate Middleton, sporting a Madewell blouse, they can quickly click through to purchase the same top from the Madewell section in TikTok’s marketplace.

For content providers on the site, the new button also promises monetary benefits. Various influencers who have made their names on TikTok vie to host their own, dedicated Shop button, so that they can earn royalties on gear that they promote and display. When done well, their offerings align with their content, such as a fitness influencer who promoted water bottles, which led to 2 million views, sales of around 600 units, and thousands of dollars in commissions for the influencer. Currently, in its earliest days, the TikTok Shop already features around 200,000 sellers in the general marketplace, and approximately 100,000 content creators have qualified to host their own buttons on their videos. They can promote either the products available in the marketplace, like the fitness influencer did, or market their own products.

The Shop option is available on livestreams, though that is not the primary focus for TikTok currently. Noting that, unlike Asian consumers, U.S. users appear less engaged in livestream shopping options, TikTok anticipates that by spreading the Shop function to videos available at any time the viewer brings them up to watch, it can expand sales.

In support of that goal, TikTok has undertaken an intense marketing campaign to attract both sellers and buyers. For example, discounts available to buyers drop the prices of many of the items available, but TikTok continues to pay the sellers the same commission. One small beauty brand noted that on TikTok, one of its already popular products was selling for \$11 less than the retail price of \$39 that it charged on its own website. But TikTok accounted for those differences, and it paid commissions based on the pre-discount, retail price. Therefore, making the products available through TikTok earned the company a “life changing” amount of income.

Although TikTok arguably can, and should, charge sellers more for the right to appear on the site, its goal right now is growth for the TikTok Shop. Thus, in these early days, sellers are competing to get their products up, whether they function as content creators themselves or just hope to be featured in the marketplace.

Discussion Questions

1. Have you used the TikTok Shop yet? Would you plan to, if you saw something you liked on a video?
2. If TikTok starts taking a percentage of sales, how much should it take from sellers?

Source: Sapna Maheshwari, “TikTok Popularizes Products. Can It Sell Them, Too?” *The New York Times*, September 12, 2023;

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Maize, Robin's Egg Blue, Raw Sienna, and Cerise in a Vase: A Product Line Extension by Crayola

Use with Chapter 4, “Multichannel and Omnichannel Retailing”



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The colors included in its standard 64-crayon box might have shifted a little over time, but the perception of Crayola crayons as bright, cheerful, and appealing has long remained the same. Children often learn the spectrum of colors available in the world from opening and experimenting with their newly purchased school supplies, while also learning new vocabulary words like “cerulean” and “cerise.” In turn, Crayola has leveraged its long-standing, well-trusted brand name to market other art supplies, such as papers, markers, and paints to help children express their artistic imagination.

Its most recent product line extension moves beyond children’s art, even if it still seeks to embrace the artistic, the cheerful, and the beautiful. By introducing a Crayola-inspired online flower shop, the brand promises to bring gorgeous, brightly colored flowers into consumers’ lives, brightening their day and their attitudes with vibrant bouquets. Crayola Flowers relies on a partnership with an existing flower distributor to get the plants that people order to their homes and offices, shipped directly from local farms.

In line with most flower retailers, Crayola Flowers relies mainly on its website as a sales channel. But in addition, it will maintain a traveling flower truck that can appear at events and outdoor markets, to expand its reach and leverage its brand logo.

Furthermore, even if online ordering is common in flower retail markets, Crayola Flower’s website is a little different, reflecting the brand’s dedication to being cheerful and adding value to people’s lives. In separate digital storefronts hosted on the main sites, nonprofit organizations and charities can host their own sales of flowers, as fundraising opportunities. In addition, the corporation itself donates a substantial percentage of the revenues generated from each sale to charitable organizations, such as Big Brothers Big Sisters, the Wounded Warrior Project, or 4-H. Thus, a consumer can buy a cheerful bouquet for a friend and pay \$75 to have it delivered to brighten their day, then also choose to send a donation equal to 10 percent of that cost to St. Jude Children’s Hospital, to enhance the well-being of children with life-threatening illnesses at the same time.

Flowers represent a discretionary, luxury purpose, even if they sometimes feel like necessities (e.g., on Valentine’s Day). But for Crayola Flowers, need and want are not the key considerations. Rather, it hopes to “unite this idea of color and creativity with spreading kindness,” for the giver and the recipient of the vibrant flowers, but also for the beneficiaries of organizations dedicated to improving people’s welfare. Flowers can make anyone’s day better; why not allow them to make lots of people’s lives better too?

Discussion Questions

1. Is this product line extension by the Crayola brand a well-justified one? Why or why not?
2. Should Crayola Flowers pursue additional retail channels? How might it use its physical, mobile trucks to build on its charitable goals, for example?

Sources: Parija Kavilanz, “Crayola, Beloved for Its Crayons, Is Now Selling Flowers?” *CNN*, September 19, 2023; <https://www.crayolaflowers.com>

No More Free Refills? McDonald's Attributes the Shift to Changing Consumer Behavior

Use with Chapter 5, "Consumer Buying Behavior"

If no one comes in the store, does the store still need to offer in-person benefits, like free refills? At McDonald's locations, the answer appears to be no. Although this physical redesign, altering the amenities available in the stores, might save franchises some costs, the restaurant chain cites a completely different reason for removing self-serve cola machines, namely, the changing behaviors of fast food consumers.

Spurred on by advanced technology capabilities, lingering social distancing habits, convenience, and McDonald's own incentives to encourage more mobile ordering, consumers increasingly rely on drive-thru, remote pickup, and delivery options for their Big Macs and fries. An estimated 40 percent of total sales currently come through digital channels. As a result, fewer people get out of their cars to come to a counter to order, which means the storefronts simply don't host many diners.

Without customers to serve and appeal to with the promise of free refills on their drinks, McDonald's finds little justification to maintain the machines. In the past, this option functioned as an appeal for consumers, with little costs to the company. Diners might enjoy "sneaking" an extra cola on their way out the door, but each pour cost the company only pennies. Yet even as McDonald's assigns the rationale for removing the machines to customers and their altered behaviors, eliminating cola machines does have positive cost implications: Franchises no longer need to devote labor and materials to stocking, maintaining, and cleaning the dispensers.

Along with the removal of self-service soda machines, redesigned McDonald's are likely to feature much smaller, or even no, dining rooms. Predicted developments promise stores with tiny footprints, maintained by few or no staffers, that allow customers to place remove orders and pick up on the fly. Pilot versions of CosMc stores (hosted by a little known McDonald's character, an alien named CosMc) will appear in select locations soon. The goal is to insert stores in areas that previously have not been served, because they lacked sufficient space to host a full-fledged restaurant.

For adults who grew up with the promise of in-store playgrounds and nearly unlimited sodas, the redesigned McDonald's and the tiny CosMcs might not seem like much fun. But considering the behavior of most consumers these days, they also seem like the logical choice for the restaurant retailer.

Discussion Questions

1. Look up the percentage of digital orders received by other fast food chains. Are they similar? Should other companies be pursuing a redesign similar to McDonald's?
2. What are some other cost implications of the discussed redesign options?

Sources: Jordan Valinsky, "McDonald's Is Getting Rid of Self-Serve Soda Machines," *CNN*, September 12, 2023; Danielle Weiner-Bronner, "McDonald's Teases New CosMc Restaurant Concept," *CNN*, July 27, 2023



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Some Really Big Shoes to Fill: How Whole Foods' New CEO Imagines the Post-John Mackey Retail World

Use with Chapter 6, "Retail Market Strategy,"



istockphoto / Roman Tiraspolsky

John Mackey, the charismatic, compelling conscious marketer who came up with the concept of Whole Foods, ultimately ran the grocery retailer for 42 years, though its massive expansion, attainment of an image as a pleasurable destination brand, and collaboration with Amazon. In a sense, Whole Foods was the manifestation of John Mackey.

So what is the retailer to do now that Mackey has retired, and a new CEO has taken the reins? When Jason Beuchel took on the role, he recognized the need to establish his own presence and influence, without changing what has made Whole Foods so popular and successful. Accordingly, he embraced several new directions for the company's existing conscious approach to grocery retailing, focused on the various stakeholders who

have an interest in its ability to thrive.

Consider, for example, Beuchel's version of conscious retailing. Whole Foods has long promised to seek sustainability in its practices. Under Beuchel, the retailer will expand that notion further along the supply chain by seeking to encourage regenerative agriculture. For products sold under its private label, it strongly encourages producers to contribute nutrients back into the soil they use, rather than only taking elements out by farming the land. Its Whole Foods green lentils represent one of the first certified regenerative products in the world.

In addition to its products, Beuchel brings a unique perspective to the Whole Foods workforce. Initially hired as a chief technology officer, he gained exposure to other operational domains and demands over time. As a result, he was promoted to chief operating officer and worked closely with John Mackey in the months before the transition. Finding this process beneficial, Beuchel aims to offer similar opportunities to employees throughout the company. In the year after he took on the CEO role, Beuchel oversaw approximately 11,000 promotions across Whole Foods.

Then, to encourage further growth and development among employees, Whole Foods has established and invested heavily in several initiatives. Dedicated apprenticeship programs help in-store employees gain certifications as butchers, cheese experts, and bakery decorators. Its proprietary mentorship program, called Cultivate, is open to any employees interested in professional development. Thus, whereas many mentorship efforts focus only on white collar or young executives, Whole Foods offers such opportunities to all levels of employees, including store clerks. In so doing, it hopes to keep people with the company for their whole career, even if their career spans a wide variety of roles throughout the retail hierarchy.

Such an effort may reflect real-world concerns, as well as conscious marketing ethics. Among retail workers who planned to leave their jobs in the near future, a key reason driving their turnover plans was a lack of career development opportunities, according to a survey by McKinsey & Company.

For consumers, Beuchel also has some ideas to continue expanding the appeal of Whole Foods as a retail destination. In particular, some consumers who adore Whole Foods might be less enamored of Amazon. Thus, he notes the need to highlight the greater convenience established through their partnership, while still maintaining a Zen-like in-store atmosphere. Customers who enjoy their local Whole Foods as a sort of respite from their busy lives can still visit stores to breathe in the appetizing scents, gaze at the attractive merchandise displays, and interact with

in-store experts to get advice on the best new cheese to try. But if they're in a hurry, they also can place an order online through Amazon and have it delivered to their home in time for dinner.

Discussion Questions:

1. Whole Foods has undergone a lot of major changes lately. Has it done enough to maintain its brand image and retail value?
2. Why are career development initiatives so critical for retailers? What are some benefits of establishing them?

Sources: Adi Ignatius, "Whole Foods CEO Jason Beuchel on the Challenges and Opportunities of Following a Visionary Leader," *Harvard Business Review*, September 23, 2023; Tom Ryan, "Is Career Development Underdeveloped in Retail?" *Retail Wire*, October 12, 2023; David Fuller, Bryan Logan, and Aneliya Valkova, "The Great Attrition in Frontline Retail—and What Retailers Can Do About It," McKinsey & Company, July 29, 2022, <https://www.mckinsey.com/industries/retail/our-insights/the-great-attrition-in-frontline-retail-and-what-retailers-can-do-about-it>

Try Now, Buy Later? Expanding Attempts to Leverage In-Store Sampling Tactics

Use with Chapter 6, “Retail Market Strategy”

Be honest: How many times, when your monthly budget just wasn’t going to last to cover all your meals, have you considered popping by a local grocery store to snag a few free samples to hold you over? At Costco, some shoppers even plan ahead for the practice, visiting on days and times that they know the choices of free samples will be diverse, plentiful, and filling.

These giveaways, though occasional at many grocery stores, are a distinctive marker at Costco and one of the features that sets it apart. But that competitive strategy might not be as effective any more, as growing numbers of retail grocers are upping their sampling game as well. Perhaps most notably, Walmart announced that it would be sharing small portions of a wide variety of consumer goods, from novel product introductions by big name brands like Oreos to new offerings from niche brands hoping to make people aware of their names and offerings.



istockphoto / Devonyu

For the retailers, the tactic provides a range of benefits, with relatively little cost. That is, the store needs to set aside some square footage, and perhaps staff the table, but the brand generally donates the giveaways. One small grocery store chain cut those costs even further, by installing vending machines that take care of the task of dispensing the samples. Customers can review the offerings in the machine and choose which items they want to try (for free). Assuming the samples are appealing, they create the promise to draw more customers to the store, and customers who take a sample are more likely to buy as well, which should contribute to store revenues.

Obviously, brand manufacturers like the idea too. Mondelez, which owns the Oreo brand, has offered up orange-crème-filled cookies at various Walmart stores. It might be hoping to cash in on seasonal purchases, but it also can use the sampling to conduct detailed analyses of customer behaviors. Do they find the orange fun and appealing, or do people need to overcome resistance before they try it? How do they respond once they have tasted the sweet treat? How many buy it that day; after the promotion ends, how many people return to the store to purchase the promoted product? All these insights are invaluable for brands and their marketing strategies.

It might be easy to convince shoppers to try an Oreo, but for small, relatively unknown brands, in-store sampling also offers an effective introductory tool. Dude Wipes, a personal care brand targeting men, thus handed out individual packets of sample products in Target stores, in the hope of convincing its target customers that the products would benefit them, as well as to install the brand’s name into their memories.

Discussion Questions

1. What kinds of product lines are most effective to include as free samples? Why?
2. As a consumer, do you accept free samples or not? How often has doing so driven you to purchase the product?

Sources: Alex Bitter, “Costco-Style Free Samples Are Popping Up at Walmart and Other Stores as Brands Try to Get You to Buy Their Stuff,” *Business Insider*, October 16, 2023; Spencer Soper, Brendan Case, and Caelyn Pender, “Brands Hand Out Freebies as Online Ads Lose Appeal,” *Bloomberg*, October 16, 2023

What Can Retailers Do About Retail Theft?

Use with Chapter 12, “Managing the Merchandise Planning Process”



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Inventory shrink is a broad category, referring to all the losses that retailers suffer due to mistakes, employee fraud, and consumer theft. Naturally, it is a serious concern for every retailer; any losses of products mean a loss of profits. But that concern has grown to unprecedented levels, driven mainly by massively increasing rates of theft by well-organized crime rings that target local stores. Estimates indicate that such theft leads to retail losses of approximately \$100 billion.

For retailers stores, theft is both an economic and a human resources concern, especially as the crime turns increasingly violent. At Home Depot for example, two employees died during the course of violent theft attempts in just one recent year. Walmart notes that for certain stores, particularly subject to theft risks, annual losses have doubled in the past five years, reaching tens of millions of dollars in each case.

In response to these terrifying and growing threats, various retailers are taking different approaches. Walmart has closed scores of stores that were most prone to being robbed. Such a move harms both the retailer and the communities it serves, many of which lack broad access to other retailers. But continuing to lose millions across multiple stores was unsustainable.

In one location though, Walmart has decided to try a novel design-based solution: locating a police substation in the store, next to the pharmacy, bakery, and meat departments. This Atlanta-area Supercenter location previously had had to be closed after an alleged arson attack; when it reopens, it will be a smaller Neighborhood Market and will maintain a regular police presence. The goal of this design is to reassure law-abiding shoppers and employees, discourage theft attempts, and also support police officers by giving them an alternative location to take breaks and recharge their equipment.

Home Depot notes that it has no intentions thus far of closing stores, but it has put more items in locked cases to mitigate theft attempts. Various retailers have long used such cases for their highest ticket items, but Home Depot is moving lots more products behind lock-and-key, including not just generators and power tools but also circuit breakers. Although it does not house police officers, Home Depot has hired more security guards, added lighting to parking lots, and installed more recording devices throughout stores.

The individual retailers are not totally on their own though. The Congressional INFORM Consumers Act, passed in 2022, requires online resellers to verify the source of products being sold on their sites. This effort acknowledges that, for well-organized crime rings, online sales provide a relatively easy means to unload the stolen goods. If regulations can shut down such channels—which requires collaboration among online sites, retailers that can identify stolen items being listed, and consumers who avoid clearly unethical sales of stolen goods—the incentive to engage in the violent crime should diminish.

Discussion Questions

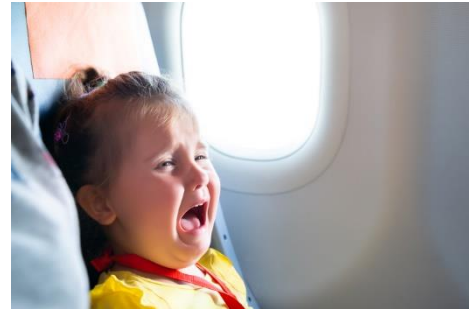
1. What else can retailers do to address the rash of organized theft that threatens them and their employees?
2. If you were working at a retail store, and a crime ring attempted to rob it, would you stay on the job?

Sources: Jena Warburton, “Walmart Makes a First-Ever Change to Prevent Crimes in Superstore,” *The Street*, September 6, 2023; Bethann Moorcraft, “‘This Isn’t a Random Shoplifter Anymore’: Home Depot CEO Warns Retail Theft Is a ‘Big Problem’ as the Chain Bolsters Store Security—Even on Small Items,” *Moneywise*, September 10, 2023; National Retail Foundation, “Organized Retail Crime: An Assessment of a Persistent and Growing Threat,” April 2023, <https://cdn.nrf.com/sites/default/files/2023-04/NRF-K2OrganizedRetailCrimeReportFinal.pdf>

How Much Will Travelers Pay to Sit Far Away from Screaming Babies?

Use with Chapter 14, “Retail Pricing”

Once boarded and waiting for the other passengers to find their seats, nearly every airline traveler starts their own silent plea: “Please don’t let the crying baby sit next to me. Please let that family with four little kids keep walking down the aisle, far away from me....” The challenges of traveling with children, are familiar to any parent who has tried it. But the challenges of dealing with a screaming infant, whiny toddler, or sugar-inspired kid kicking the seatback are familiar to anyone who has flown.



istockphoto / AndreyPopov

In response to this nearly universal consumer need, one Turkish airline is testing the idea of an adults-only section on certain flights. On the 432-seat Airbus A350 jets it flies, Corendon Airlines will set aside 93 conventional seats and 10 extra legroom seats for the adult section, located toward the front of the planes. To sit there, passengers—as long as they are at least 16 years of age—can pay about \$50 for a regular seat or \$110 for the extra legroom rows, on top of the basic fare.

This offer may be relatively novel, but it matches existing pricing strategies by the airline industry, which has monetized “benefits” such as checking luggage and seat selections by charging extra for those options. In so doing, the airlines encourage consumers to segment themselves according to their preferences. For those looking solely for the cheapest fare, they can compromise on the experience. But for those who must have a window or want to sit close to their friends or families, paying a little extra to select their specific seats seems like a reasonable cost.

The adults-only section also harkens back to an old division in planes, long since eliminated, between smoking and nonsmoking sections. That is, at one time, people were allowed to smoke cigarettes during flights, usually relegated to the back seats in the carriers. But in addition to the influences of changing societal norms surrounding smoking, this option ultimately was doomed by the complaints of nonsmokers, who noted that a separation by rows was not sufficient to keep the smell of smoke from wafting throughout the cabin and invading their airspace.

A similar challenge may arise for the notion of adults-only rows, if the goal is to prevent those adults from hearing the sounds of screaming children. Those in the very front might not hear much, but if just one or two rows separates adults from the family section, they are likely to hear the kids anyways. They also are likely to complain about paying extra and not enjoying the promised benefits. Noting this challenge, in its ongoing experiment with separate seating, Malaysian Airlines has moved adults on the upper deck of its two-level Airbus A380 jets, preventing anyone under the age of 12 years from climbing to the top. It also bans children altogether from first-class cabins.

Despite the appeal of these options for many, many travelers, they raise some questions and concerns too. For example, if an airline cannot sell all the seats in the adults-only section, is it really going to give up the revenue it could earn by putting families in those seats? Furthermore, the additional service might require some renovations to the designs of the planes, to ensure clearer separation and auditory barriers. And finally, the airlines might run the risk of alienating families who cannot imagine that anyone would not want to sit near their perfect little angels.

Discussion Questions

1. How much would you pay to sit in an adult-only section on the plane? Does your answer differ, depending on the type of flight (e.g., a quick 90-minute hop versus an overseas journey)?
2. How can airlines use data about customers purchasing these seats to inform pricing strategies?

Sources: David Koenig, “For Travelers Who Want to Avoid Babies and Kids, One Airline Will Test an Adults-Only Section,” *Associated Press*, August 29, 2023; Thomas Bywater, “Five Airlines Offering Child-Free Cabins and Quiet Zones,” *New Zealand Herald*, September 22, 2022

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Does a Minimum Wage Matter Anymore?

Use with Chapter 16, “Human Resources and Managing the Store”



istockphoto / IcemanJ

For nearly 20 years, the federal minimum wage has remained the same in the United States: \$7.25 per hour. As many labor movements and workers have emphasized, such a pay rate does not represent a living wage today, leading to calls for raising the mandated hourly wages that people earn.

In turn, many states raised the minimum wages for local workers. Today, 30 states require hourly pay rates higher than the federal minimum wage, often more than twice that level. In these areas, \$15 per hour is the new standard, embraced in both traditionally high pay states like New York and New Jersey but also in conventionally more conservative states such as Arkansas and Florida. Even when

state legislatures have failed to pass increases, voters ushered in new minimum wages for residents.

But these efforts and demands seemingly have become moot, because the market is taking care of the issue on its own. Even in places where retail employers legally can pay \$7.25 per hour, realistically, they cannot. To recruit and retain workers in today's tight labor markets, companies recognize that they need to sweeten the proverbial pot by paying their retail, food, and hospitality workers much more. As a result, only approximately 68,000 people nationwide earn the federal minimum wage—a dramatic decrease relative to the 400,000 workers who earned it in 2019, much less the approximately 2 million employees who earned it in 2007.

Although the increasing trend has existed for years, clearly, the COVID-19 pandemic intensified its steep slope. During the lockdown, companies willingly offered something like hazard pay to keep essential workers in stores. After stay-at-home mandates were lifted, the massive increase in consumer demand required retailers to increase their staffing levels. Demand was massive; supply was low. And thus, the cost for labor increased. In New Hampshire, as one example, in 2019, the 10th percentile wage level (i.e., not the minimum, but the level at which at least 90 percent of workers earn more) was \$10. By 2022, it came close to \$14.

These increases in pay arguably should mean substantial benefits for retailer workers and challenges for retail employers. But the reality has not quite matched this theoretical expectation. First, as consumer prices continue to rise dramatically, even \$15 per hour can be insufficient to ensure a living wage that covers rising rents, food costs, and gas prices. Minimum wage workers, whatever that wage is, still struggle to keep up with their expenses. Second, many retailers seem resigned to and comfortable with the increases. In Pennsylvania for example, the retailers' union accepted a bill that would raise the minimum wage from \$7.25 to \$15 without complaint, citing members' acknowledgment that they already were paying that rate. Whereas in the past, retailers rejected pay mandates, today, they have gotten to that point before legislators, so they have no problem with the rule.

All these trends and attitudes clearly might shift if the labor market cools and labor supply begins to outpace demand. In that situation, retailers in states with \$15 minimum wages might struggle to remain profitable; workers in states that continue to apply the outdated \$7.25 wage might suffer a serious blow to their income. Thus regulatory standards might remain necessary to keep retailing valuable for all its members.

Discussion Questions

1. What should the federal minimum wage be, in your opinion?
2. Why have some states already established a higher minimum wage than the federal level, and why have others not updated their rates?

Sources: Ben Casselman and Lydia DePillis, “In a Hot Job Market, the Minimum Wage Becomes an Afterthought,” *The New York Times*, August 23, 2023

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A Single Stop for Beauty and Joy: Ulta's The Joy Project

Use with Chapter 16, "Human Resources and Managing the Store" and Chapter 18, "Customer Service"

Beauty brands have to walk a fine line. They need consumers to be worried enough about their looks that they seek out enhancements and treatments and thus purchase cosmetic products. But they also have a moral and sales-related need to ensure that consumers feel happy and satisfied when thinking about the brand, its image, and its products. In this view, beauty enhancements add to people's sense of self-worth and happiness; the products should not be marketed in a way that makes anyone feel less worthy or dissatisfied with themselves.

In pursuit of this important balance, Ulta Beauty is undertaking a new initiative called The Joy Project that aims to inject joy into the lives of its customers, a goal that is indivisible from the contributions and insights of its employees.



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The idea for The Joy Project began with store associates, who reported their regular encounters with customers engaged in negative self-talk—an often involuntary mental behavior in which people criticize themselves internally. This type of thinking can be destructive and limiting, causing people to lose belief in themselves because their “inner critic” will not stop commenting, even when they try to avoid such thoughts.

When they voice such negative self-talk, it can take several forms; in an Ulta retail store for example, they might explain to a sales associate that they need concealer for their “gross skin” or lessons in contouring to hide their “big nose.” Finding appropriate, respectful, and helpful responses to such self-criticisms represents a challenging and awkward social interaction. In addition, being surrounded with negativity coming from customers might increase already stressed-out retail workers’ sense of frustration and unhappiness.

Having learned about these trends, the executives at Ulta Beauty decided to run a consumer survey, to gain more insights into the actual levels of self-esteem and joy being experienced by its customers. The results indicated that virtually everyone wanted to feel strong joy in their lives, but only 58 percent agreed that they did. When explaining what kept them from this desired feeling, 73 percent of the 5,000 survey respondents cited negative self-talk. Yet 70 percent of the participants also noted that they were unable to identify their own self-talk. The internal criticisms had grown so pervasive that people did not even realize they were frequently subjecting themselves to unnecessary, unpleasant thoughts.

By combining insights from both sales associates and consumer surveys, Ulta Beauty devised its dedicated initiative. In particular, a new training program will focus on helping sales associates recognize negative self-talk, in themselves and others. It gives them tactics for interrupting such destructive thoughts and then finding joy in other ways. Furthermore, Ulta hopes to integrate outside perspectives on this societal issue, such as by encouraging content creators to describe the tools they use to find joy with a #joyforward topic field.

The sales associates who receive training through The Joy Project ideally will serve as sort of in-store coaches for customers, by helping them recognize statements that reflect their negative inner critic and offering them responses that aim to silence that voice. Such efforts seem likely to establish a far more positive, appealing, and engaging retail environment that customers will want to visit regularly, to get a pep talk and dampen their inner critic. At the same

time, it can make coming to work a positive option for retail employees, whose employer not only claims that it wants them to experience joy but also gives them tangible tools to find it.

Discussion Questions

1. If you were introducing something like The Joy Project to company shareholders, how would you justify the increased training costs, considering that the targeted outcomes are pretty difficult to quantify?
2. Other than beauty brands, what other retail sectors might benefit from efforts to ensure and increase the joy and self-esteem of its customers?

Sources: Bryan Wassel, “Ulta Beauty Is Helping Associates Find Joy. How Will the Brand Benefit?” *The New York Times*, October 9, 2023; “Ulta Beauty Launches The Joy Project to Ignite a Movement for the Next Generation,” *Business Wire*, September 25, 2023

Retailing Tidbits

When Should Retailers Disclose Food and Beverage Information?

Use with Chapter 11, “Customer Relationship Management”

When and to what extent are food retailers liable for ensuring that consumers know precisely what is in the food and beverages they purchase? This debate has persisted for years, involving fights over whether fast-food restaurants needed to disclose to vegetarians that its fries were being cooked in animal fats to discussions about which retailers should provide easy-to-read calorie counts next to each menu item. These persistent arguments have entered a new phase though, focused on caffeine content. A college student with a chronic condition that led her to assiduously avoid highly caffeinated items recently purchased and consumed lemonade from Panera Bread that, unbeknownst to her, contains massive amounts of caffeine. Within hours, she had gone into cardiac arrest and died. According to a suit filed by her parents, the young woman would never have knowingly consumed such a product, and Panera is responsible for misleading her, because it marketed its Charged Lemonade as “plant-based and clean,” then located it in stores next to other, less caffeinated beverages. Although the company’s website clearly lists the massive caffeine amounts—390 milligrams for a large serving, which is equivalent to the amount in energy drinks like Red Bull and substantially more than is in a large coffee—the suit alleges that marketing signage in the store failed to present such information. The lawsuit also involves a demand for Panera to identify, market, and advertise Charged Lemonade clearly and explicitly as an energy drink, in the hope of avoiding any similar tragedies in the future. But is it responsible for doing so, or must consumers beware and research what they eat before they order?

Sources: Elizabeth Clark, “Family Sues Panera Bread After College Student who Drank Charged Lemonade Dies,” NBC News, October 24, 2023

Girl Scout Cookies Are More Expensive Than Ever

Use with Chapter 14, “Retail Pricing”

Every year, thousands of consumers set aside a little extra money so that they can grab a box (or two, or five) of Girl Scout cookies from local young vendors who might ring their doorbell or set up tables outside their local grocery store. That budget will need to get a little bigger this year though, as many of the 11 regional Girl Scout Councils (each of which sets prices for the beloved treats) have raised the per box price from \$5 to \$6. In recent years, a few popular cookies, like S’mores, already required the higher price point, but now, all boxes will demand the higher price. The shift reflects national and global trends, including increased production, material, and shipping costs. The last price increase, from \$4 to \$5, happened around 2015. But even with these reasonable explanations for higher prices, Girl Scout leaders might worry that consumers will refuse to shell out more money for cookies. Or perhaps not; when the organization introduced Raspberry Rallies, a limited-edition raspberry-flavored version of its Thin Mints last year, it sold out completely, sparking bidding wars on resale sites. For fans who cannot wait for Girl Scout cookie season, an extra dollar for a box full of happiness might not make much of a difference.

Sources: Danielle Wiener-Bronner, “Girl Scout Cookies Are Coming Back, and Prices Are Going Up,” *CNN*, September 28, 2023