RETAILING MANAGEMENT

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Newsletter for Instructors

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The Retail Apocalypse Now, Once Again

Use with Chapter 2, “Types of Retailers,” Chapter 5, “Customer Buying Behavior,” and Chapter 8, “Retail Locations”

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In the years following the corona virus pandemic and the restrictions it imposed on both retailers and consumers, retail enjoyed something like a sugar high: Consumers released from lockdown raced to buy new furniture and clothing and appreciate the hedonic pleasure of shopping for fun (instead of for more masks). But as the years continue to pass, the thrill of shopping in person naturally has begun to wane. In the meantime, rising prices and interest rates intensify consumers’ disinterest in shopping, such that the retail sector appears to be experiencing a rebound to its last rebound.

As consumer spending has dropped precipitously, more than 7,000 stores closed in 2024—the highest number of annual closures since the pandemic. In addition to smaller storefronts, some major corporations filed for bankruptcy, including Rite Aid, Big Lots, and Rue21. The pharmacy sector underwent a massive reorientation, such that all the major chains closed substantial numbers of brick-and mortar stores: CVS Health shuttered 586 locations, Rite Aid closed 408, and Walgreens lost 259. Similarly, dollar stores and specialty retailers, like The Body Shop and Bath & Body Works, faced widespread closures.

Seeking to explain the vastness of the trend, industry observers blame as least some of the problem on competition from affordable, large-scale retailers. Walmart, Amazon, Costco, and Home Depot have taken over their respective supply chains, manufacturing their product assortments on their own, at relatively lower costs, which enables them to reduce the retail prices that consumers see. These big-box stores also have the resources to invest in research and development, which in turn enables them to make faster improvements to the technology that guides their products and supply chains, in an ever-intensifying, virtuous cycle.

The cost positioning they achieve is especially critical to consumers, buffeted with rising costs for big-ticket investments and the inflationary prices of home, credit, and auto loans. Once they pay for their home and car loans, consumers have little money left for non-essential goods. Even relatively wealthy shoppers exhibit prudent, cost-based decision-making these days, prompting Walmart to report an unexpected rise in high-income shoppers. In the restaurant industry, they similarly are seeking more affordable options—or else skipping the trip altogether and just eating what they have at home. Red Lobster, Tijuana Flats, and Buca di Beppo filed for bankruptcy in 2024. Denny’s is set to close 150 locations.

Other factors contribute to these trends as well. Whereas many U.S. consumers received stimulus payments in 2021 and 2022, designed to boost the post-pandemic economy, those payments did not continue thereafter. The continuing rise in popularity of e-commerce does not help physical stores stay open either.

Discussion Questions

1. Might mid-sized retailers lower prices to compete with big-box stores? Is doing so an appropriate long-term solution?
2. With the rise of e-commerce, which types of retailers can and should transition to digital models? Which types will have the most difficulty scaling and integrating e-commerce distribution?

Sources: Aimee Picchi, “Store Closures Have Surged 69% in 2024. Here Are the Retailers Shuttering Thousands of Stores,” CBS News, December 12, 2024; Aliss Higham, “Full List of Major Retailers that Shut Stores in 2024,” Newsweek, December 24, 2024; Nathaniel Meyersohn, “Consumers Reach Their Breaking Point, Forcing Retailers to Shutter Stores at a Worrying Pace,” CNN, October 25, 2024

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Home Away from Home: Barbour Partners with Hemlock Resort in Neversink

Use with Chapter 4, "Multichannel and Omnichannel Retailing"

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Fish and chips. A full tea service. Barbour. If these phrases made you yearn for a trip the England, we understand. When it comes to retailing though, few things are as quintessentially English as Barbour. Originally established as an outerwear brand for working people, the family-owned company is now in its fifth generation, in which iteration it has grown into a global lifestyle brand that encapsulates all the charm of the English countryside.

Recognizing the appeal of such a vision, a boutique hotel in upstate New York is bringing Barbour to the former colonies. Hemlock is a wellness retreat, owned by the Foster Supply Hospitality group, located in Neversink, New York, just a few hours outside the city. Featuring hiking trails and spa treatments, yoga classes and crafting, the resort was built with the intention of promoting wellness to a very specific, wealthy clientele.

The partnership between these two companies represents an interesting example of contextual commerce. Barbour products and branded events compliment the hotel's ethos. They already have been incorporated into the outdoor activities on offer at Hemlock. From the Barbour Borrowing Closet, guests can select Barbour jackets and Wellington boots to keep themselves warm and dry during their stay. Meanwhile, Hemlock is expanding its playful offerings to leverage the partnership, such as introducing a Barbour-branded goat playground. The goats live at a nearby sanctuary, and Hemlock kitchen staff are happy to provide guests with food trimmings that are safe for them to feed to the goats.

To monetize these integrative marketing tactics, Barbour also has hosted cocktail parties, during which guests have opportunities to learn more about the heritage brand. Of course, a Barbour shop on-site allows anyone who wants to obtain gear purchase any of the items, such as those they enjoyed on loan during their stay, to take back to their real lives with them.

This intriguing approach has great potential to be very profitable. Studies indicate that 70 percent of customers will spend twice as much if they form an emotional connection with a brand. Accordingly, the Barbour–Hemlock collaboration is not totally original. Similar efforts include Balmain's collaboration with the One&Only Aesthesis resort in Athens and DiorSpa's partnership with The Little Nell in Aspen, all of which seek to establish symbiotic relationships between two luxury labels. Such an intersection between hospitality and retail represents just one more way that hotel stays can function to boost guest engagement too.

Discussion Questions

1. Is a partnership between Barbour and Hemlock Neversink a good match? Why or why not?
2. What other types of brand activations might Barbour experiment with and implement at the resort?

Sources: "Barbour," Hemlock Neversink; Kaleigh Moore, "Contextual Commerce: Barbour & Hemlock Neversink Retail Partnership," Forbes, January 13, 2025; Kristen Tauer, "Inside Hemlock, Foster Supply Hospitality's Newest Upstate Retreat," Women's Wear Daily, October 24, 2023

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Grab Bag: Walmart Partners with Rebag for a Fashion Dupe

Use with Chapter 4, “Multichannel and Omnichannel Retailing”

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Hermès’s Birkin bag has long been a status symbol, and the luxury brand is determined to keep it so. The least expensive model starts at around $10,000; a quota systems means that each individual buyer is allowed to purchase only two bags per year, assuming they can find them. The limited production lines and personalized approach that Hermès takes to selling each handbag—available only in licensed Hermès stores—means that waiting lists for popular Birkins styles can extend over multiple years.

Such status surrounding the bag perhaps explains why Walmart’s recent replica went so viral. Nicknamed the “Wirkin,” it inspired both jokes and praise, along with a ton of sales. Priced in the $100 range, it enabled virtually anyone who wanted one to get ahold of a fashion dupe. Such offerings represent copycat products that carefully tread the line to avoid infringing on any existing trademarks or intellectual property rights while still looking remarkably similar to the original design.

Even if it was legal though, it was not something Hermès wanted. Maybe fashion experts could relatively easily spot the dupes as unlike the luxury version, yet the Wirkins still held the potential to dilute the appeal and status-offering power of exclusive bags. In turn, they appear to have led to the announcement of a new initiative, involving a remarkable partnership between Walmart, with its long-standing and consistent reputation for low prices, and Rebag, a resale site that specializes in the highest of high-end goods.

Having agreed to pull the Wirkins from its shelves and website, Walmart gains the right to expand its online marketplace to offer thousands of used luxury handbags, from designers including Louis Vuitton and Chanel, Gucci and Prada—as well as Hermès itself. Rebag will also curate an exclusive assortment of bags that will be available only to Walmart customers.

Certainly, Walmart has been working to diversify its offerings (as we’ve discussed previously in these abstracts, in relation to its introduction of the Bettergoods line of gourmet, premium food offerings; see “Bigger and Better: Exploring Walmart’s New Premium Bettergoods Brand”). But being able to access Hermès on a Walmart site is a lot different from finding an organic pizza on a trip to a Walmart store.

Still, even if this novel market offering came as something of a surprise, it seems to make sense in retrospect. The competition created by the stunning popularity of the Wirkin bags forced the luxury brand to take notice and make a change. Walmart keeps trying to diversify. And in the face of economic turmoil, international tariffs, and interest rate hikes, even consumers with high net worths are altering their shopping patterns, including turning more of their budgets over to Walmart.

Discussion Questions

1. Is this partnership with Rebag likely to generate long-term profits?
2. How else might Walmart expand its product offerings to appeal to wealthy customers?
3. How else might luxury brands like Hermès protect their trademarks and status?

Sources: Doug Melville, “Walmart Went from the ‘Wirkin’ to the Birkin in New Deal with ReBag,” Forbes, January 17, 2025; Dominick Reuter, “The Viral ‘Wirkin’ Bags Are Disappearing from Walmart’s Online Store. Here’s Why,” Business Insider, January 15, 2025; Natalie Stechyson, “Why Walmart’s $80 Birkin Bag Dupe, Dubbed the ‘Wirkin,’ Has Sparked so Much Controversy,” CBC Radio Canada, January 6, 2025; Francisco Velasquez, “Walmart Is Selling Chanel, Fendi, and Prada. Here’s Why that Matters,” Yahoo Finance, January 16, 2025

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Cleared for Takeoff: Frankfurt Airport Awards Food and Beverage Contracts

Use with Chapter 8, "Retail Locations," and Chapter 9, "Retail Site Location"

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We are not afraid to make controversial claims. Here's one: Extended layovers in airline travel can be amazing and wonderful. There are few simple pleasures in life greater than a layover in a really interesting international airport. If you plan your flightpath just right, you can spend a few hours wandering around the Turkish airport, buying artisan ceramics and drinking a cup of coffee. Or you could wile away your time in Switzerland, collecting wooden figurines and chocolate.

Once Germany completes its expansion of the Frankfurt Airport, the new Terminal 3 promises to represent yet another semi-destination and hub for shoppers and diners. The airport renovation ranks as the most expensive privately financed airport project in Europe, with a total cost of around $4.2 billion. To earn back this investment and make the endeavor economically viable as soon as possible, airport managers have awarded dining contracts to two retailers.

The Swiss company Avolta will receive 12 locations in Terminal 3, with plans to open a Sophia Loren–themed restaurant and Brot. by Axel Schmitt, which blends the master baker's specialty pastries with his love of heavy metal. Meanwhile, the French company Lagardère will introduce 10 locations, including Neni Deli, a Tel Aviv–inspired, Mediterranean menu designed exclusively for the airport.

Efforts to market the other retail spaces in the new terminal are achieving their goals as well. A total of 65 storefronts, covering 130,000 square feet, are available to be awarded. The duty-free space spans 65,000 square feet and will specialize in premium goods to tempt wealthy international passengers.

If all goes according to plan, the Frankfurt Airport will open Terminal 3 in the summer of 2026. It promises to serve up to 19 million travelers at once, all of whom can enjoy the wonder of a nice, long layover in a distinctive shopping and dining hub.

Discussion Questions

1. Do you find the shopping and dining options at any airport enjoyable?
2. Which unique services, other than traditional offerings, might airports install and provide to attract more customers? What would be something you would be willing to pay a premium to obtain while waiting for your next flight?

Sources: "Avolta Expands Presence at Frankfurt Airport," Avolta, January 22, 2025; Kevin Rozario, "Two Retailers Win Dining Contracts at Europe's Biggest Airport Project," Forbes, January 23, 2025; Vedat Ozgur Tore, "Avolta to Open 12 F&B Stores in Frankfurt Airport's New Terminal," FTN News, January 23, 2025

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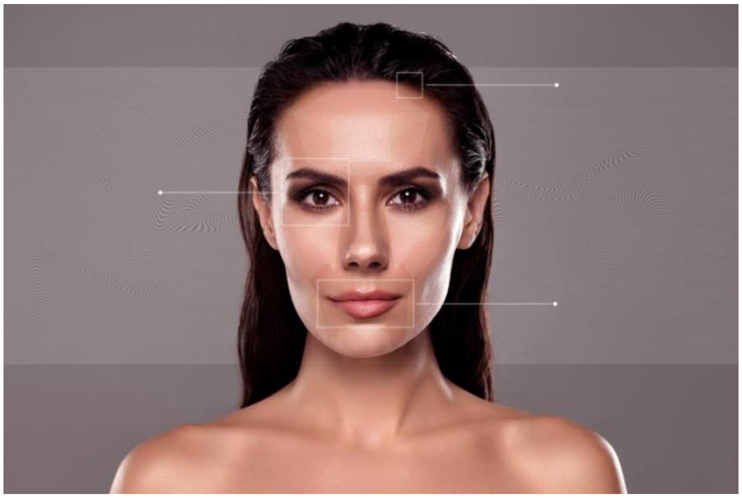
Skin in the Game, Literally: L'Oréal Introduces Cell BioPrint Technology

Use with Chapter 10, "Information Systems and Supply Chain Management"



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Cleanser, toner, moisturizer, sunscreen, serums, night creams, pore strips, exfoliants… did we miss anything? Although many consumers keep some or all of these products in their medicine cabinets, determined to look their best and maintain a youthful glow, the question of whether all this goop really works, or which versions are best for which consumer, remains uncertain. Do they actually work to provide the benefits they promise? L'Oréal claims it has a way to answer this fundamental question for skin care consumers.

Over the past 10 years or so, researchers employed by L'Oréal have studied more than 20 million biomarkers, identifying which ones are tied to visible signs of aging. On the basis of their findings, they also developed a device that promises to give each person an individual skin diagnosis, in less than 5 minutes.

The Cell BioPrint, which was developed in partnership with the Korean tech company NanoEnTek, uses a sticky face strip to extract a sample of the skin's proteins, painlessly. The sample gets transferred to a card, inserted into the machine, and analyzed. Meanwhile, a handheld imaging device, held up to the person's skin, provides simultaneous, detailed information from the close-up image that Cell BioPrint also includes in its analysis.

After just a few minutes, the machine produces several clear metrics, including the biological age of the consumer's skin. When compared with each person's actual age, this gauge offers a benchmark that reflects the efficacy of their current skincare routine.

Furthermore, the device analyzes which active ingredients would spark the desired reactions in the proteins found in each person's skin. Some faces respond beautifully to retinols for example, while others react negatively. With measures of other key signs of aging and skin quality, Cell BioPrint creates a summary report that outlines the user's pore size, dryness levels, extent of wrinkles, and level of skin tone. On the basis of this report, the machine creates a list of affiliate product recommendations, offered by well-loved dermatology brands such as SkinCeuticals and CeraVe.

The creation and introduction of Cell BioPrint represents a clear response to consumer demand; L'Oréal's research indicated that 90 percent of consumers were frustrated with currently available skin treatment offerings. Many are expensive and slow acting, with little guarantee of success. Furthermore, 80 percent of customers explained that they felt they had to rely on time-consuming and uncertain trials and errors to determine what would work best for them.

Offering Cell BioPrint should help L'Oréal address this common complaint. In turn, it hopes to help usher in a new age, marked by the effective use of technology to provide personalized care and offer customized solutions.

Discussion Questions

1. How will Cell BioPrint and similar technology transform the beauty industry?
2. What are some of the obstacles that L'Oréal might face, when attempting to making this technology accessible to customers?

Sources: Katie Intner, "This New Device Tells You If Your Skincare Is Actually Working," Harper's Bazaar, January 14, 2025; "L'Oréal Groupe Unveils L'Oréal Cell BioPrint, a Revolution in Consumer Skin Intelligence Rooted in the Field of Longevity Science, at CES 2025," L'Oréal, January 6, 2025; Sharon Edelson, "Say Goodbye to Trial and Error When It Comes to Skincare with L'Oréal's Cell BioPrint," Forbes, January 6, 2025

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Signed, Sealed, Delivered: DHL Acquires a Returns-Service Provider

Use with Chapter 10, “Information Systems and Supply Chain Management” and Chapter 12, “Managing the Merchandise Planning Process”

istockphoto / Olga Demina

Need to order a pair of sneakers, but don’t feel like heading to the mall to find your size? There’s an easy solution for that: Just order two or three sizes of the same shoe, then return the ones that don’t fit. Unsure about which color top will provide the best match to your new suit? Purchase the top in every color—they’re returnable.

The rise of e-commerce has made such consumption attitudes and behaviors commonplace. In turn, retail returns make up a substantial percentage of the world’s transportation demand Shoppers returned about 16.9 percent of all the items they purchased in 2024, accounting for an astounding $890 billion in value. The extent and prevalence of returns seems likely to continue increasing too, considering that demanding retail consumers push retail providers to offer faster, cheaper, and better return options than their competitors.

Returns thus are a huge pain for retailers. They instead represent a huge opportunity for the transportation industry. Likely reflecting its determination to grab hold of this opportunity, the delivery service provider DHL recently announced its acquisition of a returns-service provider, Inmar Supply Chain Solution. The new company will operate under the DHL Supply Chain unit, allowing DHL to transport a larger percentage of the current reverse-flow of goods. Experts estimate that this partnership will make DHL the largest reverse logistics provider in the country, with 14 return centers and 800 additional employees integrated into its supply chain. Beyond this status, DHL plans to expand its footprint further, by offering product remarketing, recall management, and supply chain analytics.

Similar moves by competing transport providers include UPS’s acquisition of Happy Returns in 2023. Yet given the scale of DHL’s deal, the merger with this returns-specific provider seems likely to give the newly combined company the edge. Success will come down to how well each supply chain integrates its new acquisition, and then keeps improving it, in an ongoing battle for shipping superiority.

Discussion Questions

1. Can you think of any other industries that might benefit from a large company acquiring a specialized service provider within its field?
2. How can DHL ensure a smooth integration of Inmar Supply Chain Solution?

Sources: Bruce Crumley, “Booming Market for E-Commerce Returns Spurs an Acquisition by DHL,” Inc., January 10, 2025; “DHL Acquires Reverse Logistics Leader, Inmar Supply Chain Solutions,” DHL, January 10, 2025; Liz Young, “DHL Buys Into the Growing Retail Returns Business,” Forbes, January 9, 2025

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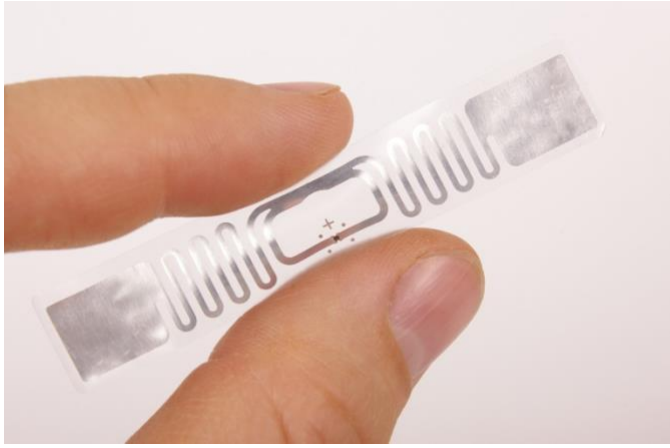
Keeping Track: RFID Labels Are on Everything These Days

Use with Chapter 10, “Information Systems and Supply Chain Management”



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Radio-frequency identification (RFID) tags have been around for decades; they are based in radar technology developed during World War II. By the 1970s, the transmitting technology was being used commercially to track objects and help loss prevention efforts of valuable items.

Today, the average cost of RFID tags has fallen by an estimated 80 percent, such that they cost only about 4 cents per tag. In parallel with its diminishing price, RFID technology has increased in accuracy and expanded its range by almost five times the distance. Therefore, retailers increasingly install the technology to tag a wide variety of goods, including liquids, metals, fragrances, and cosmetics, in support of more operations. One study suggests that 61 percent of retailers plan to use the

Beyond tracking products, RFID technology also promises an inspiring range of applications. When Macy’s uses it to track inventory overall, it gathers data from sales cycles to learn precisely how well different seasonal products fare. In turn, it can restock unexpectedly popular products more quickly, because monitoring systems linked to the RFID tags alert supply chains to shortages in real-time.

Ongoing tests of the versatility of the technology involve applying RFID tags even to ultra-low cost items. Some Walmart locations tag items in every product category, some of which cost less than 99 cents.

Such experiments and efforts have benefits for consumers too, because they ensure that RFID technology evolves to match their needs. For example, in smart fitting rooms, shoppers can receive personalized recommendations as they shop, powered by RFID tags in the clothing they are trying on. The RFID tags on Kendra Scott jewelry provide customers with more information and a customizable buying experience.

Considering these benefit to buyers and sellers alike, it behooves every actor to normalize the adoption of RFID tags. No one player can or should dictate when or how this technology will become mainstream.

Discussion Questions

1. Which stage in the retailing supply chain seems likely to benefit most from RFID technology? Why?
2. How can RFID technology be used to create other retail activations that improve customer experiences?

Sources: Daphne Howland, “RFID Has Been Around For Decades. Now It’s Becoming Retailers’ Best Crime-Fighting Tool.,” Retail Dive, February 21, 2024; Marshall Kay, “Why An RFID Label on a 72¢ Box of Crayons Is Reason To Be Tickled Pink,” Forbes, January 5, 2025; Praveen Adhi, Tyler Harris, and Gerry Hough, “RFID’s Renaissance in Retail,” McKinsey & Company, May 7, 2021

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Fueled Up: Amazon Prime Introduces Discounts on Gas

Use with Chapter 11, "Customer Relationship Management"

istockphoto / NithidPhoto

Amazon follows four key principles: customer obsession, innovation, operational excellence, and long-term planning. With the introduction of fuel discounts at more than 7,000 bp, Amoco, and ampm gas station locations for its Prime members, Amazon seemingly meets all of these goals.

By adding new benefits to its existing subscription model, Amazon can both proactively work to protect its market leadership and also respond reactively to increased pressure from competing subscription services. Notably, Walmart+ has offered a 10-cents-per-gallon savings since 2022 at Exxon, Mobil, Murphy, and Walmart stations.

Considering people's average fuel usage of 675 gallons per year, Prime and Walmart+ members could save nearly $70 per year on gas. Prime also announced plans to add an electric vehicle charging discount in 2025, in partnership with bp. Although gas price–related benefits are relatively new, they are not the only perks that come with an Amazon Prime subscription. Rather, across the extensive offerings it uses to appeal to and satisfy members—free next-day delivery on most items, exclusive savings during shopping events, exclusive access to certain television shows and movies on Prime Video, ad-free streaming of music and podcasts, discounted prescription medications, discounts on groceries from Whole Foods Market and Amazon Fresh, and a selection of free e-books—Amazon puts into practice its belief that offering more benefits, across more disparate categories, makes it harder for consumers to find an equally valuable alternative subscription model.

As other paid subscription memberships, like Target Circle 360, enter the market at a lower price, Amazon is doubling down on its offerings, Amazon will continue to innovate in an effort to keep coming out ahead.

Discussion Questions

1. Could the wide range of services offered by an Amazon Prime subscription cause customer confusion?
2. The annual cost of a Prime subscription is $139, as opposed to $98 for Walmart+ or $99 for Target Circle 360. That's a 40 percent difference. Do the benefits offered by Prime justify this price difference?
3. Do you have any of these subscription services? What influenced your choice to enroll in one over the others?

Sources: "Amazon Announces New Fuel Savings Offer for Prime Members," Amazon, October 23, 2024; Erika Tulfo, "Amazon Prime Introduces a New Benefit to Save on Gas," CNN, October 24, 2024; Ryley Amond, "Save at the Pump with Amazon Prime's New Gas Discount," January 3, 2025

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Did PepsiCo Violate the Robinson-Patman Act? The FTC Alleges It Did

Use with Chapter 14, “Retail Pricing”

istockphoto / Marvin Samuel Tolentino Pineda

The Robinson-Patman Act, passed by the U.S. Congress in 1936, prohibits anticompetitive actions by U.S. firms, especially price discrimination. Mostly, it seeks to prevent manufacturers and sellers from entering into unfair, preferential contracts, such as with big retail chains, to give them better wholesale prices. Doing so might benefit the big manufacturer and retailer, but it harms smaller retailers, which must pay higher prices to obtain the products. It also harms consumers, whose purchase choices are thus limited and who ultimately will pay higher prices themselves, due to the reduced competitiveness that such tactics create.

It may be nearly a century old, but the Robinson-Patman Act is still in effect, and the Federal Trade Commission (FTC) continues to use the legislation in its efforts to protect consumers. Recently, the FTC alleged in a federal lawsuit that PepsiCo has been engaged in just the sort of illegal price discrimination outlawed by the act. The complaint specifically accuses Pepsi of giving unfair price advantages and promotional payments to an unnamed big box retailer, at the expense of other vendors. Although the name of the retailer was redacted from the formal complaint, observers seem to believe that it is Walmart.

The FTC further claims that U.S. consumers are being directly harmed and bearing the burden of these practices, because by offering lower prices and better promotions to the unnamed national retailer, Pepsi is artificially inflating prices for its brands, including Frito-Lay, Gatorade, and Quaker, as well as Pepsi-branded beverages, in other stores. In addition to the harms to consumers, the suit carefully details the damages that the price discrimination can do to competitors, and particularly small, local grocery stores.

In its public response, PepsiCo claims the lawsuit misunderstands and misrepresents the standard partnerships that consumer product goods companies often build with large retailers. It also called out the suit as a partisan effort; dissent among FTC commissioners notably appears to fall along existing political divisions. Thus, the ultimate outcome remains in question.

For our purposes though, the relevance remains: Laws governing price decisions and strategies remain in place. Whether PepsiCo actually violated the Robinson-Patman Act or not, it remains in retailers’, marketers’, and manufacturers’ best interest to follow all applicable laws—and make sure that they are constantly working in consumers’ best interest too.

Discussion Questions

1. How does price discrimination, like the practices alleged in the lawsuit, affect consumer choice?
2. If PepsiCo is found guilty, what punitive measures might the FTC take to change corporate behavior? Are such punishments are effective?

Sources: Auzinea Bacon, “Pepsi Hurt Small Businesses by Giving Big-Box Retailer Financial Advantages, FTC Says,” CNN, January 17, 2025; Alexandra Koch, “FTC Sues PepsiCo, Alleges ‘Rigged’ Soft Drink Competition,” FOX Business, January 17, 2025; Dee-Ann Durbin, “US Lawsuit Accuses PepsiCo of Price Discrimination that Favored Walmart Over Smaller Stores,” Associated Press, January 17, 2025; “FTC Sues PepsiCo for Rigging Soft Drink Competition,” Federal Trade Commission, January 17, 2025

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Tip of the Iceberg? Requests for Tips in Self-Service Kiosks

Use with Chapter 14, “Retail Pricing” and Chapter 16, “Human Resources and Managing the Store”

istockphoto / Liudmila Chernetska

According to a recent survey by the Pew Research Center, American consumers are suffering a new sort of modern malaise: tip fatigue. Spread beyond conventional tipping settings, such as restaurants and beauty salons, tipping expectations appear to arise in nearly every interaction—especially those enabled by digitalized payment services.

Whether grabbing a coffee at the airport, stopping by a bakery for a quick muffin in the morning, or stopping to purchase some peanuts between innings at the local sports stadium, consumers checking out using self-service payment terminals confront requests for tips for the workers who simply hand the items over the counter. The requests usually offer three options, giving consumers an easy way to click to add 15, 20, or 25 percent to the total (or some other percentages; the systems can be designed with any percentage amount), as well as the choice to specify their own amount. Other consumers report encountering tip requests at the self-checkout kiosks in supermarkets and hardware stores too.

For consumers, the pressures can feel intense. Tipping constitutes an inherently social practice. It has long served to signify consumers’ appreciation and recognition for the effort expended by service providers. It also is observable by others, such that consumers might enjoy a positive reputation as a generous “big tipper” by laying out a large sum and waiting for that contribution to be noticed, in person (e.g., when restaurant workers ring a bell to signal a nice gratuity) or on social media. Furthermore, tipping is deeply embedded in U.S. culture, partly reflecting wage laws that allow restaurants and other service industry firms to pay employees below the national minimum wage, with the expectation that workers will be compensated by tips.

During the coronavirus pandemic, these drivers grew in strength, and tipping came to seem like an inspirational way to come together and recognize the sacrifices and dedication of frontline employees, working in impossible situations. In the years after the nadir of the pandemic though, consumers also have been buffeted by new and rising costs and “junk fees” imposed on many of their purchases. For the most part, their own costs of living have increased, meaning that requests for even more sacrifice and higher prices feels oppressive.

For example, 76 percent of U.S. consumers report feeling pressured to tip in self-service situations, and guilt reportedly motivates average consumers to tip an extra $450 each year. Such numbers give credence to the claims of 33 percent of consumers who allege that tipping culture has grown far out of control.

Although people continue to recognize the appropriateness of tipping in conventional purchase situations, such as salons, food delivery, restaurants, and ride sharing, they increasingly are rejecting tips in self-service settings. In particular, regular consumers and influencers have begun airing their complaints about gratuitous gratuity demands. These signals offer a

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different sort of social signal. That is, as more people reject the idea of tipping through self-service kiosks, more others come to recognize that social norms do not necessarily expect them to add a few bucks to their total, when the transaction did not demand much effort from the service providers.

Discussion Questions

1. Should quick service businesses maintain tip requests on their payment devices or not? Who benefits, and who does not, from their presence?
2. How might shifting social conventions continue to change—that is, what do you predict tipping will look like in the future?

Sources: Allen Kopelman, “Has Tipping Reached a 'Tipping Point’?” Forbes, July 3, 2024; Ann Carrns, “Tip a Self-Service Kiosk? How to Deal with the Many Requests for Tips,” The New York Times, November 17, 2023; Kayla Bailey, “Dave Portnoy Blasts Self-Checkout Tip Kiosks over Gratuity Guilt: ‘I Don’t Do It to Be a Nice Guy’,” FOX Business, May 17, 2023

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Selling Point: Retail Media Must Evolve

Use with Chapter 15, "Retail Communication Mix"

istockphoto / Thapana Onphalai

Recently, I ran out of coffee pods. And like any self-sufficient millennial, I immediately logged on to Amazon, determined to track down my Nespresso capsules of choice. The pods were listed, but I had to search. Despite different keyword combinations, specific product inputs, and selected filters, Amazon always listed other brands—namely, its sponsored product advertisements—first.

Amazon controls 75 percent of the retail media space, largely due to its early adoption of sponsored ads, which the company launched in 2012. Unlike traditional retailers, which historically have invested to ensure their brands are prominent in stores, such that they spent their budgets to be featured on endcaps or displays and in trade promotions, Amazon understood the profitability of retail media from the start.

According to the Boston Consulting Group, retail media generates average profit margins of 70–90 percent. But retailers are failing to make the most of it. Instead, the trend appears to be to launch business-to-consumer retail media networks that simply list advertising space. To monetize their advertising, companies may need to shift their perspective and evolve into business-to-business models, so that they can position their retail media networks primarily as tools that other brands can leverage.

Some forward-thinking retailers have gotten to this position, rolling out self-serve advertising space that can replace traditional, managed service models. Whereas in the past, retailers relied on advertisers to place their marketing content, today brands of all types can buy advertising space completely on their own. Home Depot, CVS, and DoorDash are just three of the companies that introduced self-serve or hybrid models in 2024.

Other retailers also might be adopting a business-to-business marketing approach, though their efforts have remained relatively quiet thus far. Costco recently made onsite video advertising space, in-grid display ads, and offsite advertising available, though without making any sort of public announcement. Likewise, Amazon Port, Walmart Connect, Target Roundel, and Kroger Precision Marketing have all made their debuts, such as by hosting stands at the Cannes Lions International Festival of Creativity in recent years—a well-known event likely to reach potential clients within the communications and advertising industry.

Another viable option is emerging as well, in the form of strategic partnerships with social media companies. Through these partnerships, some organizations have begun to sell cross-platform advertising space. For example, Walmart has a partnership with Roku and TikTok; NBCUniversal integrates multiple retailers into its One Platform Commerce.

Although such emergent efforts and experiments represent welcome developments in the retail media space, as well as a promising start toward something radically new and different, retailers still are starting with a disadvantage. They will need to work hard to recapture market share already snatched up by Amazon, as well as to differentiate the capabilities available through their platforms. Success will require strong relationships with other businesses, as well as constant efforts to demonstrate the value of their platform offerings.

Discussion Questions

1. Can other retailers compete with Amazon to establish their retail media offerings?
2. What are some other ways to build strong relationships with brands, through retail media networks?

Sources: Brent Adamson, "Traditional B2B Sales and Marketing Are Becoming Obsolete," Harvard Business Review, February 1, 2022; Candance Lun Plotkin, Jennifer Stanley, and Liz Harrison, "Five Fundamental Truths: How B2B Winners Keep Growing," McKinsey & Company, September 12, 2024; Kiri Masters, "2025 Will See Retail Media Networks Launch a Charm Offensive," Forbes, November 12, 2024

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Beast Mode: Beast Games Is a Hit for Prime Video

Use with Chapter 15, “Retail Communication Mix”

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With more than 300 million followers who eagerly anticipate and share his latest buzzy video concepts (e.g., recreation of Squid Games), MrBeast is one of YouTube’s biggest success stories. Having established his abilities on the social media site, Jimmy Donaldson, the person behind the persona, is bringing his viral formula to Amazon’s Prime Video, and shattering streaming records in the process.

The first *Beast Games* content attracted more than 50 million views in just 25 days, reaching top ranks on the streaming platform in approximately 80 countries. The show’s appeal crosses traditional audience demographics, by creating a spectacle that, literally, the whole family can enjoy. But the real value of acquiring MrBeast goes deeper, and understanding that value provides meaningful insights into Prime Video’s growth strategy and how it differs from the tactics embraced by other streaming platforms.

Amazon maintains an entire e-commerce ecosystem on its owned platform, running the gamut from show production, to streaming, to viewing analytics, to sales of affiliate products. Whereas other service providers are forced to rely on closed-loop metrics, Amazon can generate real-time data about consumer behavior, as well as track the pathways by which viewership translates into purchases of products advertised within MrBeast’s content, such as Feastables food products.

Other streaming services have tried to replicate such data access, often by building partnerships with retailers. For example, Paramount+ has worked with Walmart, and Kroger maintains a relationship with Roku. However, these sharing agreements cannot quite match or substitute for the integrated analytics that Amazon possesses.

Furthermore, for streamers and retailers seeking to reach Gen Alpha consumers, with their novel and dynamic consumption preferences—including an evident preference for content creators over traditional media sources—Amazon offers unique value. Specifically, through its retail operations, it has emerged as one of the first companies to integrate content creators successfully within mainstream entertainment. This achievement was not accidental, nor did it happen overnight. Amazon has long worked to attract young influencers to its platform, recognizing them as the future for both video and retail markets.

By showcasing creators like MrBeast, Amazon increases the content providers’ access to broader (i.e., older) audiences, most of whom would not otherwise have been exposed to the MrBeast brand. Likewise, affiliate merchandising deals, such as those with an upcoming beverage company and mobile gaming brands, help these new companies gain additional customers, both on and off Amazon’s platform.

As new media continue to evolve at an ever increasing pace, creators have been forced seek out ways to diversify their revenue streams, or else risk losing their footing in the industry. In this sense, the partnership represents seemingly the best decision possible, for both MrBeast and Prime Video, to fight stagnation and continue to grow.

Discussion Questions

1. How else might retailers and streaming services leverage content creators to appeal to Gen Alpha customers?
2. How often do you receive targeted advertisements related to content that you have watched recently? Do they come from an integrated platform, like Amazon, or a new partnership, like Paramount+ and Walmart?

Sources: Kayla Cobb, “MrBeast’s $5 Million Game Show Is a No-Brainer for Amazon—But What Is the YouTuber Getting Out of It?” Yahoo Entertainment, July 12, 2024; Kiri Masters, “Beast Games Isn’t Just a Hit—It’s Amazon’s New Retail Media Weapon,” Forbes, January 21, 2025; Lindsay Dodgson, “MrBeast Reveals Photos of the $14M ‘City’ He Built as Part of His Amazon Reality Show ‘Beast Games’,” Business Insider, December 9, 2024

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