RETAILING MANAGEMENT

11E

July - August 2025

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Beauty Fix: Amazon Opens a Cosmetics Store in Milan

Use with Chapter 2, “Types of Retailers,” Chapter 3, “Digital Retailing,” and Chapter 4, “Multichannel and Omnichannel Retailing”

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Let’s do a quick thought experiment. First, think about Amazon’s global, massive retail model. What are its main features, and what factors make Amazon so successful? Second, imagine Milan, Italy, one of the fashion capitols of the world. What elements come to mind? Now, compare the two. Are there any similarities?

For most people, Amazon and Milan likely seem to have little in common. Yet Amazon, the world’s largest online retailer, is undertaking a remarkable experiment, in which it is moving away from the digital channels that have largely defined its success to open a physical store in Milan, modeled after popular European pharmacies. It primarily plans to sell premium cosmetics and personal items at a range of price points. Featured cult favorites will include luxury French brands, like La Roche-Posay and Vichy Laboratoires, as well as dermatologist-recommended skincare offerings from CeraVe or Eucerin.

Of course, it’s still Amazon, so digital features also will be prominent in the store. Interactive touchscreens, strategically located around each product line’s central display, will allow customers to access more information about the products and their formulations. Other digital tools will support personalized skincare assessments, so that shoppers can receive customized product recommendations. Although the curated selection within the store also will be available online, it will be limited to select European Amazon marketplaces, available only to consumers in Italy, France, Spain, Germany, and the United Kingdom.

The precise motive for this expansion is not immediately clear. Perhaps Amazon executives have been reading recent reports that indicate that personal grooming represents one of the most rapidly growing product categories being sold by the retailer. Or maybe they are determined to find a formula that will, finally, support Amazon’s omnichannel aspirations. Thus far, its experiments with brick-and-mortar stores have represented a rare, and likely frustrating, failure by the retail giant. The company still operates a limited number of its convenience stores, but Amazon has closed all of its bookstores and clothing locations, among other specialty stores. Can personal care be the segment that moves Amazon into the physical world?

Discussion Questions

1. Why might Amazon have chosen Milan for this test store? Is this location likely to succeed?
2. What features seemingly differentiate this concept store from other physical Amazon locations?

Sources: “Amazon to Expand Beauty and Personal Care Online Offerings in Europe While Opening First Physical Store in Italy,” Amazon News, February 11, 2025; Annie Palmer, “Amazon Opens Beauty and Personal Care Store in Italy as Part of Brick-and-Mortar Expansion,” CNBC, February 11, 2025; Georgina Caldwell, “Amazon Makes a Move on European Cosmetics Retail; Cuts Ribbon on Milan Beauty Store,” Global Cosmetics News, March 5, 2025

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Would You Sport Your Streaming Service? The Introduction of Netflix Merchandise

Use with Chapter 2, “Types of Retailers,” and Chapter 4, “Multichannel and Omnichannel Retailing”

istockphoto / Sundry Photography

For those of us who were kids in the early aughts, the Disney Store was the stuff of legends. Rows and rows of toys and games, all branded with our favorite cartoon characters and franchise leads. For the entertainment brand and film studio, expansion into retail locations once seemed like an unorthodox idea, but it quickly turned out to be one of its most profitable experiments.

Considering that history, is it really so strange that Netflix would attempt to follow suit? For a new generation of shoppers, the streaming service hopes to become its own purveyor of dreams, as reflected in a new and compelling set of retail strategies. Notably, in the wake of the massive success of several of its shows, including *Strangers Things* and *Bridgerton*, Netflix launched an online marketplace in 2021. On Netflix.shop, fans could find and purchase a rotating selection of licensed goods from in-house productions. The merchandise included in this initial launch was carefully curated, with an eye to matching prominent clothing and product trends. Featured items included streetwear designs and decorative objects, created in collaboration with the Louvre.

Buoyed by the success of this online venture, Netflix began introducing products from other popular shows, including *Squid Games* and *Emily in Paris*. The company also undertook adjustments and revisions to its supply-side model, such that it strategically launched new products on a schedule that aligned precisely with the launch of specific series or episodes, to capitalize on the success of each property.

As we noted previously in these abstracts (see “At Home with Netflix: Introducing New Dining and Shopping Complexes,” June 2024), another new retail expansion also is planned: Netflix has announced the opening of two retail brick-and-mortar locations, in Dallas and Philadelphia. Each Netflix Shop will take up about 100,000 square feet of space to offer a combination of branded experiences and products. Combining the appeal of a theme park with the offerings of a traditional store, the Shops will feature replicas of popular sets and allow shoppers to participate in activities inspired by the series. Each shop will also include a food court area.

Such experiments have, like most new ideas, prompted some skepticism about their potential profitability. Notably, the popularity of Netflix franchises tends to be relatively short-lived, compared with the staying power of conventional media, like Disney movies and characters. But in a time when competing streamers are churning out more original content than has ever been available to consumers, Netflix has found a creative and potentially game-changing way to diversify its holdings.

Discussion Questions

1. What might the next stage of Netflix’s retail expansion look like?
2. Have other content-providing platforms expanded into the retail space lately? How do their strategies compared with Netflix’s?

Sources: Michelle Evans, “Why Content Platforms Like TikTok and Netflix Are Turning to Retail,” Forbes, February 3, 2025; “Netflix and Shop: Online Store Offers Limited-Edition Merchandise,” Reuters, June 10, 2021; Tom Ryan, “Is Netflix About to Replicate Disney’s Product Merchandising Success?” RetailWire, June 14, 2021

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Pushing the Right Buttons? Amazon Introduces Rufus and Alexa+

Use with Chapter 3, "Digital Retailing," and Chapter 15, "Retail Communication Mix"

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As the widespread adoption of various voice-powered assistants like Alexa and Siri has shown, today's consumer society seems determined to gain more efficiency. Equally determined to help people achieve those goals, Amazon is leading the charge toward growing the voice assistant market segment by investing to make further advances to the available technology. Its ambitions suggest both a compelling opportunity and a substantial threat to the sellers that rely on Amazon to get their products in front of consumers.

Recently, Amazon announced the arrival of Rufus, a shopping assistant powered by artificial intelligence. It is promoting the technology as a tool that will improve users' experiences. But on the pathway to doing so, the technology also is challenging some long-held assumption about what those experiences involve.

The conventional wisdom for search engine optimization usually recommends that online sellers integrate high-value keywords into their product descriptions. Citing the terms that consumers seem most likely to use when searching for a particular product conventionally has been the main method for boosting their rankings in search results. This approach has long represented a best practice, applicable across most search and purchase platforms, including Amazon.

But according to early reports, Rufus does things a bit differently and uses a different set of criteria to identify which listings to prioritize. Rather than product-specific features, it "prefers" product pages that include more comprehensive specifications, including extensive physical and functional details. If the algorithm deems the product descriptions too different from the search request, it automatically filters them out of the results. Furthermore, Rufus assigns higher ranks to descriptions that feature natural sounding language that is easy to read and comprehend.

Considering the potential for such algorithmic innovations to disrupt existing patterns of brand engagement, sellers are paying close attention—especially in preparation for the introduction of Amazon's Alexa+, the latest iteration of its in-home personal assistant, which will integrate the technology that drives Rufus as well. Beyond revising their promotional descriptions and marketing communications to match Rufus's priorities, sellers need to account for the likelihood that consumers will increasingly embrace the more sophisticated conversational capabilities offered by Alexa+. That is, assuming that Alexa+ makes voice-powered shopping totally easy and appealing, then sellers need to revise their product descriptions again, to feature language that can be translated well by Alexa, without relying on the visual appeal that might have attracted shoppers who visited Amazon through their computers or mobile devices.

The challenge and the opportunity that such changes represent for sellers both must be addressed quickly, to ensure positive outcomes in the long run. Once Alexa+ becomes available, sellers will need to retest the strength of their listings under the new technology regime, then make necessary revisions promptly to maintain or improve their standings. If they can survive the short-term shift in the rules of the game, they can start analyzing in more depth how the Rufus algorithm really works, and thus how they need to adapt to succeed across all of Amazon's sales platforms.

Discussion Questions

1. What changes should sellers likely prioritize in the short term, to optimize their listings for voice-powered shopping?
2. Assuming you shop on Amazon, how often do you visit the site versus relying on a voice-powered assistant to make purchases? Do you expect your answer to change, with the introduction of Alexa+?

Sources: Brian Sozzi, "Here Comes Supercharged Amazon Alexa AI for Investors," Yahoo! Finance, February 24, 2025; Daphne Howland, "Move Over, Alexa: Amazon Launches AI Shopping Tool 'Rufus'," Retail Dive, February 2, 2024; Kiri Masters, "Amazon's New Alexa+ Forces Brands to Rethink Their Marketing Strategy," Forbes, March 14, 2025.

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Curves and Confidence: Retailers' Adaptations to Consumers' Actual Sizes

Use with Chapter 5, "Customer Buying Behavior," Chapter 12, "Managing the Merchandising Planning Process," and Chapter 17, "Store Layout, Design, and Visual Merchandising"

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More than 50 percent of adults worldwide are expected to be categorized as overweight or obese by 2050. Currently, an estimated 67 percent of U.S. women shop for plus-size clothing options. Such current and predictive trends make it incumbent on companies in various markets, sectors, and industries to develop products and services that can meet the needs of larger consumers.

In health care settings for example, ambulance service providers have developed bariatric ambulances that can appropriately and safely treat patients who weight more than 350 pounds. The newly equipped transport vehicles feature adjusted stretchers and wheelchairs, among other adaptations. Transportation in other sectors is critical too; the travel industry has come under substantial scrutiny with regard to airlines' efforts (or lack thereof) to accommodate passengers whose bodies do not fit in the seats. The challenge becomes especially acute as airlines continue to try squeezing more, smaller seats onto each plane, to maximize their ticket sales and revenues. For most travelers, the only available and extremely expensive solution is to purchase two seats instead of one, though some carriers offer a discount on additional seats. For example, Air France offers a 25 percent discount on the second seat purchased by customers who need it to fly comfortably.

Entertainment industry sellers also have been adapting their seating arrangements to fit various body types more effectively. At one FIFA World Cup for example, event planners reserved 1,675 seats for spectators who were not comfortably accommodated in the traditional stands. Many theaters in the United Kingdom list the measurements of different seats located in the venue so that attendees can select their seats accordingly.

Despite these pertinent examples, we still find many markets that are lagging behind, especially in retail apparel sectors. Stylish, comfortable, larger sized clothing remains woefully scarce. Even when brands have developed size-inclusive ranges, many of them list the items only through digital channels, rather than stocking them in brick-and-mortar stores. One reporter tested this allegation directly by visiting various Old Navy and Lululemon stores, none of which carried the larger sized that these brands make available online.

Other brands do not even attempt to offer inclusive sizes. Many higher-end fashion labels produce clothing ranges that stop at a U.S. size 12 or 14, even though the most common dress size purchased by U.S. women is a size 16. Although few labels cater to plus-sized clients, such as Torrid, Lane Bryant, and Ashley Stewart, they remain comparatively rare, such that stores are not necessarily proximal to shoppers who seek out their offerings. Furthermore, some of these retailers continue to be criticized for their failure to design a meaningful range of fashionable, stylish, and appealing options.

Even as these trends and demands put constant pressure on retailers and services providers to improve their offerings, a contrary development might be leading these actors to delay such efforts. The widespread introduction and consumer adoption of weight-loss drugs implies that, for consumers willing to embrace a medical approach to weight loss, their demand for extended size ranges might diminish. The long-term implications of these drugs remain to be seen—in terms of both their effects on people's health, especially when taken for extended periods, and their influences on global obesity rates. Yet just a

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few years after their introduction, they appear to be exerting notable effects on weight and health outcomes, in ways that forward-thinking retailers likely are accounting for, or perhaps counting on.

Even if current trends reverse though, or other weight-loss solutions enter the market, shifts in the sizing curve are not beneficial to all consumers. In particular, the messages being sent to consumers who are classified as overweight continue to be problematic. Thus far, they receive signals that they cannot dress fashionably or stylishly, if they want to buy clothing from mass market retailers. In the future, they might infer that they should alter their bodies, such as by taking prescription medication, to fit in with a persistent standard, because the world will not change itself to accommodate them. They are all dangerous and irresponsible messages, which every retailer or service provider should work to disavow.

Discussion Questions

1. How should retailers adapt to changing patterns in sizes, especially if sizing curves continue to shift dynamically? How can they do so in a way that is inclusive of all customers?

2. Review the website of a retailer that markets mainly to plus-size customers, such as Ashley Stewart. How does it attempt to appeal to consumers and encourage their buying behaviors?

Sources: Andrew Adam Newman, “I Went to a Mall with a Plus-Sized Retail Consultant. Now I Know Why She Dreads Shopping,” Retail Brew, March 12, 2025; Brooke Steinberg, “Ozempic Users Are Now Buying Smaller, ‘Edgier’ Clothes Post-Weight Loss, Retailers Say,” New York Post, June 17, 2024; Jessica Murray, “Sizing Up: How Stadiums, Hospitals, and Airlines Are Adapting to Rise in Obesity,” The Guardian, March 7, 2025; “Study: Majority of U.S. Women Are Plus-Size, Overlooked by Most Fashion Brands,” Chain Store Age, August 30, 2024.

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Click-and-Mortar: Best Buy Launches an Online Marketplace

Use with Chapter 6, "Retail Market Strategy," and Chapter 11, "Customer Relationship Management"

istockphoto / felixmizioznikov

Long known as a reputable electronics retailer, Best Buy has spawned a number of profitable subsidiaries. Perhaps the best known iteration is its tech support service, the Geek Squad. But now Best Buy hopes to capitalize on a new revenue stream, by launching its own proprietary retail media network. (For insights pertaining to retail network media and their implications, see the previous abstracts, "Selling Point: Retail Media Must Evolve," March 2025, and "Understanding the Retail Network Media Phenomenon," August 2023.)

Amazon leads the retail media network space, by leaps and bounds (and profits). Yet for Best Buy, a specialized retail media network could enable it to corner the revenues of a dedicated consumer market segment, interested in connecting with suppliers of high-end audiovisual components, household appliances, and network gear. Beyond offering such informative links to consumers, the marketplace could represent an alternative revenue source for the retailer itself, earned through the advertising it would sell to those suppliers that want to connect with its loyal customers.

Thus far, the company's advertising earnings have been concentrated around just a small number of supplier brands. To expand its retail media network, Best Buy has partnered with Mirakl, the technology company that also has enabled Kroger to establish its retail media network in the grocery sector. Yet it also can take some internal inspiration: Best Buy's Canadian e-commerce platform has operated a successful third-party advertising site for several years.

Once Best Buy opened applications to advertise on its retail media network, near the end of 2024, it immediately began issuing new reports and promises about the platform's expanding capabilities. It also has expressed continued confidence that this initiative will prove beneficial, and profitable, for customers, suppliers, and the retailer itself. Yet observers continue to express caution about the very idea of specialized retail media networks. Arguably, the third-party advertising and selling platforms can create conflicts of interest with other sales channels, such as Best Buy's own digital commerce channels. In addition, compared with Amazon, with its nearly universal reach, across virtually every product category, networks focused solely on groceries or electronics might be at a persistent disadvantage that will constrain their viability.

Discussion Questions

1. What are the potential benefits to Best Buy of launching a media retail network? What are the likely risks?
2. Which other retail sectors or companies that seem well-suited to launch their own, dedicated retail media networks?

Sources: Kiri Masters, "Best Buy's Marketplace Bet Is Really About Ad Revenue," Forbes, March 11, 2025; Nicole Silberstein, "Best Buy to Launch Third-Party Marketplace, Again," Retail TouchPoints, December 19, 2024; Tatiana Walk-Morris, "Best Buy to Launch Third-Party Marketplace This Summer," Retail Dive, January 21, 2025

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Building Convenience Blocks: Family Express Builds Modular Locations

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

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Prefab! It's a fun term, and the meaning might seem ambiguous. Does it imply moments right before fabulousness? Well, it might, but more conventionally, "prefab" refers to prefabrication, or the process of building the components of a structure off-site, before assembling the parts at a final location.

For Family Express, a chain of convenience stores and gas stations, the goal is to embrace both these meanings. By leveraging this efficient construction technique, it hopes to establish and open a substantial number of modular convenience stores, representing a fabulous new approach to corporate expansion. Already, it has committed to at least 20 new prefabricated sites, which it will serve from a distribution center in Indiana.

The first location will be near the chain's headquarters, also in Indiana, and it will feature a 7,200-square-foot store, a car wash, and food service. All of the prefabricated locations will also sport redesigned exterior displays. Whereas Family Express has long been known for its colonial-inspired look, the fab new structures will have a more modern design, reflecting the chain's goal of attracting younger demographics of customers.

These buildings are part of a broader growth strategy; Family Express has announced plans to invest $100 million in additional locations. To make this substantial investment go further, modular construction seems especially appealing. Its efficiency is substantial for an expansion of this scale. Some future locations might be assembled in less than a week. The off-site manufacturing of components also allows a greater degree of control over external factors, such as weather delays, which often slow down—and increase the costs of—traditional construction efforts.

Although the scope of its ambition is notable, Family Express is not the first convenience store chain to have experimented with and embraced modular construction. Wawa is a notable forerunner; it built its first prefabricated location in 2023, assembling the structure in just 20 business days.

Discussion Questions

1. Why is the efficiency offered by prefab construction particularly appealing for convenience store chains?
2. The convenience store market is pretty crowded. How can Family Express sustain its viability as it continues to grow?

Sources: Angel Abcede, "Family Express Focuses on Innovation, Growth," CSP Daily News, June 17, 2024; "Family Express Builds First Modular Convenience Store," National Association of Convenience Stores, March 5, 2025; Jessica Loder, "Family Express Joins Modular Construction Trend," C-Store Dive, March 6, 2025

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False Dawn: Is Dusk Retail Failing to Deliver?

Use with Chapter 10, "Information Systems and Supply Chain Management", and Chapter 18, "Customer Service"

istockphoto / KatarzynaBialasiewicz

In the United Kingdom, Dusk Retail first rose to prominence due to its provocative, suggestive advertising. A televised advertising campaign for its housewares and furniture offerings featured a female customer and a young, shirtless male butler, filled with innuendo. For fans of the suggestive advertisement, its inversion of traditional gender roles was entertaining and interesting. For critics, its sexual suggestiveness and objectification of men were offensive and harmful. Such complaints even prompted an investigation by the U.K.'s Advertising Standards Authority, which ultimately ruled that the satirical nature of the campaign offset any potential for real harm.

Thus for Dusk Retail, the advertisement was a smashing success. The controversy and associated news coverage gave it an invaluable source of free press, and the ultimate resolution meant that it was not subject to any fines or punishment. Furthermore, the provocation it offered helped it appeal to its target market of younger consumers, seeking trendy, lower cost furnishings for their homes. Its ongoing marketing strategies continue to work to generate broad conversation and brand recognition.

But notoriety can lead to intensified scrutiny, and if the brand is not ready, that can lead to more negative forms of attention. In particular, Dusk Retail figured that it could ride the sizeable publicity and brand awareness it was generating to undertake an aggressive expansion strategy, in which it offered a range of substantial discounts and targeted campaigns. As its customer base expanded though, Dusk Retail seemingly forgot to expand its supply chain and operational capabilities to match the growing rate of demand. As a result, it began suffering serious operational failures. Communication among warehouses, logistics and transportation services, and customers broke down; no one seemed to know where orders were or when they would be delivered to customers' homes.

The customer service division also fell into what might be described, generously, as complete disarray. The company, overwhelmed by customers' efforts to reach it, simply disabled the complaints line from its website. Unable to contact the retailer directly, dissatisfied customers flocked to social media to voice their frustrations about the long wait times, poor product quality, automated messaging, and lack of service.

Others recounted seemingly absurd levels of disfunction in the company's logistics. For example, a customer disappointed with the quality of her sofa requested that Dusk Retail come pick it up for a return. But rather than just taking the broken sofa, the logistics company allegedly delivered another sofa, then demanded payment from the customer. Others describe situations in which their returns were totally misplaced by the transportation partners, while Dusk Retail continued to delay or refuse their refunds.

Things thus look grim for the once-promising brand. Dusk Retail might be able to turn things around, if it acts quickly and decisively to address its service, logistics, and supply chain issues. That might mean allocating more resources to such practicalities, rather than its advertising budget. Can it do both?

Discussion Questions

1. What are some cautionary insights that other retailers can take from this situation?
2. How should Dusk Retail revise its overall marketing strategy, to balance its advertising with its service investments?

Sources: "ASA Rejects Flood of Complaints over 'Harmful' Dusk Ad," DecisionMarketing, March 20, 2024; Kate Hardcastle, "Dusk Retail: From Disruptor to Distrusted—A Lesson in Customer Experience," Forbes, January 31, 2025

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Where Old Becomes New: The Archivist Store Sells Vintage High Fashion

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

istockphoto / triocean

Once upon a time, bell-bottom jeans revolutionized the very concept of how denim pants could look. Then in the 1990s, JNCO moved up the pantleg and reinvented waistlines, popularizing ultra-wide, saggy pants. By the early aughts, the style pendulum swung back again, and denim began hugging legs in the form of skin-tight jeggings. Even more recently (and to the great relief of many consumers), Gen Z took to TikTok to extol the virtues of the rediscovered boyfriend jean—straight-legged, sitting at the natural waist, made of conventional cotton fibers.

But as with everything in fashion, denim trends are always and forever cyclical. For some fashion-conscious shoppers, the cycle can be either invigorating (a new style trend is a reason to go shopping!) or exhausting (what do you mean I can’t wear these jeans anymore?). For the Archivist Store in Paris, the cycle is central to its very identity: Its reputation, especially among fashion insiders, is based on its remarkable ability to find, stock, and maintain the most cutting-edge, high-end, vintage trends.

The retailer functions almost like a fashion historian, regularly featuring a diverse range of styles, from a variety of labels and countries, produced throughout the years. Unlike traditional boutiques, buyers for the Archivist Store are not particularly concerned about brands or seasons or trends. As long as the product offers good quality, and catches the eye of the store’s owner, it has a place in the retail space. The owner, known for his excellent taste and expertise, reportedly scans popular resale sites every day, quickly snapping up unique products the moment they appear, before others might find and purchase them. Thus, in addition to its broad assortment of jeans, the store sells various clothing that people can wear in their daily lives, despite their vintage status, including a substantial amount of functional outerwear.

Reflecting the diversity of styles that it stocks, the store also refuses to cater to any specific consumer niche or demographic. Sales associates are just as happy to sell to uninitiated visitors as they are to help the many Parisian locals who loyally make regular visits to the shop.

Still, the primary clientele who visit use their shopping habits to quietly signal their status as part of the fashion industry’s in-crowd. If we were to observe the people entering the store, we would see a cross-section of the global elite and fashion aficionados, those fashionistas who remain hyperaware of emerging styles and stay equally fluent in streetwear and couture. For example, Thibo Denis, the footwear designer behind some of the most well-known ateliers, started citing the Archivist Store as among his favorite retailers as early as 2021. It represents the ultimate *if you know, you know* sort of one-stop shop.

For anyone with the interest, and the funds, to be on the cutting edge of fashion and to get themselves to Paris then, the Archivist Store should be high on the list of must-see destinations.

Discussion Questions

1. Why might the Archivist Store avoid narrowing its product selection? What strategy does such a decision indicate?
2. If you were lucky enough to be in Paris, would you make a special trip to visit the Archivist Store?

Sources: Jacob Gallagher, “A Store That Gets How People Dress Now,” The New York Times, March 3, 2025; Lorenzo Salamone, “The Rise of the Second-Hand Fashion Boutique,” NSS Magazine, January 8, 2025; “Essentials: Thibo,” Hypebeast, September 20, 2021.

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Reslicing the Pie: Private Fund Eyes Takeover of Papa John's

Use with Chapter 14, "Retail Pricing"

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When it comes to the pizza wars, skirmishes are ongoing, and the battle for dominance and control leads to constantly shifting positions. To the victors go the spoils, and it looks like Domino's, Pizza Hut, and Little Caesars have some market share to gain: Papa John's is wounded.

According to recent reports, its sales have plummeted, down 6 percent in North America and 3 percent worldwide. Earnings per share also decreased by 19 percent. The company's leadership has moved to make changes designed to streamline operations—seemingly in contrast with the chain's long-standing emphasis on quality rather than low costs—but experts worry that the move is not enough to keep the company competitive.

Meanwhile, private equity funds are circling. Headlines indicate that Irth Capital Management, a private investment fund backed by Qatar's royal family, is in talks to acquire Papa John's. It previously disclosed a 4.99 percent stake in Papa John's, and the company is known for its aggressive corporate takeovers. For example, it previously assumed management of the restaurant chain Bojangles, as well as the mattress start-up Casper.

Following news of the potential acquisition, Papa John's stock prices actually rose 18.4 percent, indicating investors' prediction that the change could lead to productive, meaningful changes. In particular, they appear to anticipate that Irth will work to expand Papa John's global presence, which could help it catch up with Domino's and Pizza Hut, both of which already have achieved strong global footprints.

Still, the pizza wars are intense. Any sign of weakness can be a signal for competitors to pounce. Are Domino's, Pizza Hut, and Little Caesars likely to let the opportunity to increase their position pass by without a strategic attack?

Discussion Questions

1. What improvements might Irth Capital Management make, should it acquire Papa John's?
2. How should competitors in the pizza market respond to Papa John's struggles? What would be the most appropriate strategy?

Sources: Evie Liu, "Papa John's Stock Soars on Report of Potential Takeover," Barron's, February 13, 2025; Fernanda Tronco, "Popular Pizza Chain Might Soon Be Taken Over Amid Troubles," Yahoo! Finance, February 14, 2025

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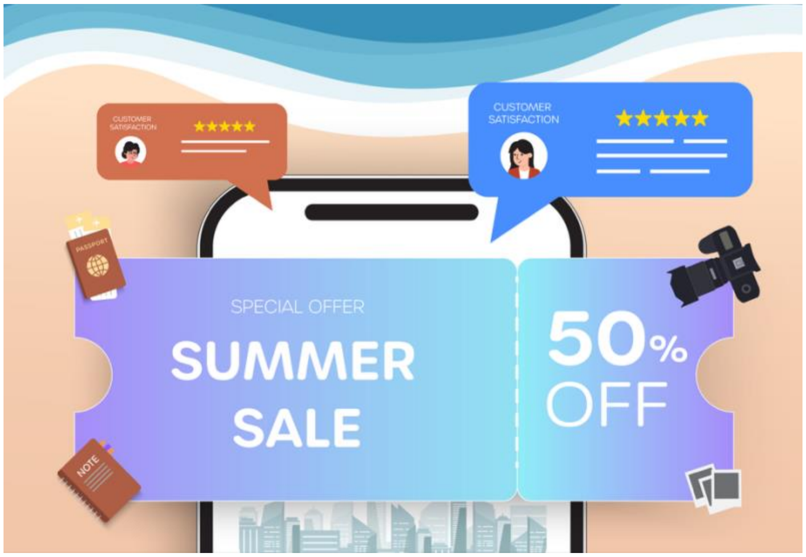
Breaking News: Updates on Big Chains' Retail Media Networks

Use with Chapter 15, "Retail Communication Mix"



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In March 2025, we posted an abstract describing the growing prominence of retail media channels (see "Selling Point: Retail Media Must Evolve"). Those trends have persisted and expanding, creating the need for some new updates. In particular, recent reports indicate that as many as 200 big-name retailers have been building out their retail media networks, in an attempt to compete with Amazon's market-leading, first-mover, profitable advertising model. Leading competitors include Walmart, Target, Home Depot, and Kroger, among others.

Amazon's business hinges targeted advertisements, paid for by brands. When a customer searches for a specific product on its platform, sponsored posts appear in response. Due to its early entry into the space, along with its well-entrenched focus on customer satisfaction, Amazon has quickly built out this side of its business, earning a reputation for fair pricing and efficient customer service. Thus, even if Amazon is primarily categorized as a retailer, the profits it earns from its advertising division are more central to its business model. Industry leaders estimate that its retail media network increases Amazon's overall operating margins by somewhere between 40 and 80 percent.

Yet Amazon also faces a conundrum: As it expands its line of private-label merchandise, it must choose between prioritizing its own offerings in its advertising or selling profitable ad space to competitive offerings. Its ongoing efforts to find just the right balance in turn have created a gap in the retail media market space that competitors are actively seeking to exploit.

As may come as no real surprise, Walmart seems to be leading the charge. After acquiring the content library that had been established by Vizio—a company that sought to operate as an alternative to Amazon's Prime Video—the retailer scaled up its offerings of advertising space, as well as its promotional efforts to attract new advertisers. As of late 2024, this sector of its business represented almost 33 percent of Walmart's operating income.

Meanwhile, Roundel, the retail media network operated by Target, has reported annual growth rates in excess of 10 percent. Home Depot has built out its Orange Apron network, with the distinction of making a more diverse set of analytics available to its advertising clients. Notably, after the Federal Trade Commission blocked a merger between the grocery rivals Kroger and Albertsons, experts suggested that these two chains could recoup the losses they expected to incur from their thwarted effort by expanding their advertising networks. Kroger already has the sixth largest retail media network, buoyed by a partnership with Yahoo media that grants advertisers who appear on both platforms access to detailed sales analytics for Kroger locations.

Even noting such diversifying and notable growth though, Amazon still overwhelmingly dominates digital advertising networks. It reported another $14.3 billion in sales for the third quarter of 2024, bring its growth relative to the prior year to 18.8 percent. Thus, new trends are emerging, but even so, competitors still have to do a lot if they hope to catch up with the retail media leader.

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Discussion Questions

1. What other options do competitors have for expanding their retail media networks to compete with Amazon's current offerings?
2. As a customer, can you tell the difference between the quality of advertisements on some e-commerce platforms? Are there any formats that you prefer?

Sources: Abbas Haleem, "Recap: Retailers with Retail Media Networks Made Important Moves in 2024," Digital Commerce 360, January 1, 2025; Greg Petro, "Big Retailers Find Big Profits Imitating Amazon's Ad Business," Forbes, January 30, 2025; Siddharth Cavale, "Kroger, Albertsons Could Turn to Ad Business as Mega Merger Falls Through, Analysts Say," Reuters, December 11, 2024

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