RETAILING MANAGEMENT

11E

Newsletter for Instructors

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At Home with Netflix: Introducing New Dining and Shopping Complexes

Use with Chapter 2, “Types of Retailers”, Chapter 4, “Multichannel and Omnichannel Retailing”, and Chapter 17, “Store Layout, Design, and Visual Merchandising”

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Imagine taking a romantic tea in the Bridgertons’ drawing room. Or, if you’re a bit more adventurous, consider trying to complete a Squid Games challenge. If such access to the imaginary worlds provided by Netflix seems appealing, the streaming service has just the thing for you: in-person experience venues called Netflix Houses.

Planned for King of Prussia Mall in Pennsylvania and the Galleria Dallas Mall in Texas, the first two Netflix Houses will have some similarities with theme parks, while taking advantage of the large spaces left uninhabited by department stores. Spanning approximately 100,000 square feet of unused retail space, these Netflix Houses will offer shopping outlets, themed dining, and experiential activities tied to popular shows, including *Bridgerton* and *Squid Games* but also *Stranger Things* and *Money Heist*. They will be decorated with original artwork, sculptures, and murals, all harkening back to or representing scenes from the series.

By providing such immersive, compelling experiences, the novel spaces aim to enhance consumer engagement and thereby boost sales and revenue. In this sense, this retail experiment appears to have taken inspiration from other firms, known originally for their entertainment content, that sought additional revenue by building theme parks—we’re looking at you, Disney and Universal. Whether in a vast, outdoor park or a large, indoor mall space, the experience of making emotional and physical connections with characters, sets, and replicas related to appealing entertainment promises to produce a substantial new revenue stream.

Finding new revenue streams appears especially important for Netflix, which needs to move beyond its sole reliance on subscriptions and deal with the growing competition in the entertainment streaming market. The unique structure of the Houses may help it do so, in the sense that they can offer broad appeal and attract both tourists and locals. They also seem likely to draw in younger audiences, who signal their strong demand for in-person brand experiences. These audiences also might balk at the substantial time, effort, and money needed to plan an extended visit to Disney. If instead, they can look forward to popping over to their local mall to experience the Netflix House for an hour or two, it likely represents an appealing, alternative form of entertainment.

The initiative also takes inspiration from the concepts of pop-up stores and other types of promotional tie-ins, designed to create tangible connections with consumers. But most previous such examples have been temporary. Netflix Houses instead hope to establish permanent locations that promise constant access to in-person brand experiences, even as the shows being featured and displayed shift with consumers’ preferences. Still, the success of this retail innovation remains to be seen. It lacks typical benefits of amusement parks, like rides and attractions. Malls continue to struggle to attract visitors too, such that perhaps there will not be enough foot traffic to fill the Netflix Houses. Their long-term prospects thus will require both novelty and high quality shopping, dining, and entertainment—just like any other retail offering.

Discussion Questions

1. How should we define the retail model being established for Netflix Houses? Can they be categorized into existing typologies, or do they represent totally new retail strategies?
2. Could this business model work for other streaming services? Why or why not?

Sources: “Netflix to Open Entertainment, Dining and Shopping Complexes in 2025,” Yahoo! Finance, June 20, 2024; Henry Goldblatt, “Netflix House Will Let You Experience Your Favorite Shows, Movies in Real Life,” Tudum by Netflix, June 20, 2024; Danny Gallagher, “Netflix House Will Open Two Locations in Texas and Pennsylvania in 2025,” Engadget, June 18, 2024; Marie Albiges, “Netflix to Open Two Entertainment Venues with Shopping, Dining,” My Total Retail, June 19, 2024; OpenAI ChatGPT, "Assistance with Research on Netflix's Novel Retail Centers," ChatGPT, July 1, 2024.

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Bigger and Better: Exploring Walmart's New Premium Bettergoods Brand

Use with Chapter 2, "Types of Retailers", Chapter 6, "Retail Market Strategy", and Chapter 12, "Managing the Merchandise Planning Process"

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Pop quiz (but it's an easy one): What is Walmart's pricing strategy? If you answered "low prices," you get credit. But could other students make an argument for a different answer, such as "differentiated pricing"?

After decades of working, mostly successfully, to define itself as the source for consistently low retail prices, Walmart recently announced the launch of its new premium food brand, Bettergoods. It comprises quality, gourmet foods like plant-based mozzarella, bronze-cut pasta, and hot honey condiments. It represents Walmart's largest food brand launch in more than 20 years.

So what prompted this substantial assortment shake-up? A key impetus likely stems from the inroads made by competitors like Trader Joe's and Whole Foods, which appeal to consumers by offering premium foods that Walmart does not stock. In particular, younger, more affluent shoppers seek out creative, unexpected options, often with a focus on plant-based alternatives, that provide both aesthetic appeal and sustainable packaging.

In response, Walmart's new Bettergoods line promises, well, better goods that can compete with other retailer's premium food lines. Observers note some similarities with Target's Good & Gather brand, which also aims to provide premium products. Although Trader Joe's and Whole Foods already might have established their capacity to support the needs of health-conscious and environmentally aware consumers, Bettergoods can facilitate their choices too, by offering organic, plant-based, and specialty food items. By swamping the market with a brand introduction involving approximately 300 items, Walmart also seeks greater differentiation, such that the Bettergoods line features many products that cannot be found in other grocery stores.

The strategic introduction of Bettergoods products has relied on careful product placement in stores. Visual tie-ins and clear messaging about the product's upscale, trendy nature typically accompany the displays, reflecting the brand's marketing strategy. Due to Walmart's extensive distribution network, it also can make the brand widely and quickly available.

But even as we highlight all these attempts at competitive differentiation, upscale market targets, and specialty products, we are still talking about Walmart. When Walmart introduces a premium brand, it still does so with the promise of affordability. Using its long-established low price reputation, it issues the promise to consumers that they can find organic, plant-based, gourmet Bettergoods foods in its stores, but without having to pay the extreme prices they would find to obtain the same items from a different brand or retailer.

Discussion Questions

1. Is establishing a premium food brand an appropriate strategic pricing tactic for Walmart?

Sources: Bernadette Giacomazzo, "Walmart Unveils New Premium Brand Bettergoods to Broaden Appeal," RetailWire, April 30, 2024; Hunter Schwarz, "Why Walmart Launched Bettergoods, a New Premium Brand," Fast Company, April 30, 2024; Walmart, "Walmart Launches Bettergoods, a New Private Brand Making Elevated Culinary Experiences Accessible for All," Walmart Corporate, April 30, 2024; OpenAI ChatGPT, "Assistance with Research on Walmart's Bettergoods Premium Brand," ChatGPT, July 1, 2024.

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Cleared for Take Off: Exploring Walmart's Use of Delivery Drones

Use with Chapter 4, "Multichannel and Omnichannel Retailing", and Chapter 6, "Retail Market Strategy"

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Can drone delivery revolutionize retailing? If retailers can rely on drones to get products to consumers, quickly, efficiently, and accurately, in the famously challenging last mile of the delivery process, it seems likely to do just that.

Considering the potential for enhanced efficiency and customer service, it may come as little surprise that Walmart continues to lean in to using such tools. Most recently, it expanded the reach of its drone delivery services to serve three-quarters of the Dallas-Fort Worth (DFW) metropolitan area, earning it the distinction of being the U.S. retailer with the largest drone delivery service operations currently. In the DFW region alone, drone delivery is available to more than 30 towns and municipalities, including an estimated 1.8 million households.

In support of this and further expansions, Walmart has partnered with two separate, external providers of drone delivery services: Wing (which is owned by Google's parent company Alphabet) and Zipline. Such a strategic partnership arrangement likely encourages competition between these two companies, prompting them to continue seeking out the most advanced technology capabilities and safety features. If either firm can dominate this market and account for the majority of Walmart's millions of deliveries to millions of customers, it would represent a great success for these service providers. Already for example, both Zipline and Wing have sought and received approval for "beyond the visual line of sight" flights, meaning that their drones are permitted to operate outside any human operator's actual visual field, thereby greatly increasing the potential delivery area.

Even if the partnerships seem likely to push advances by the service providers, Walmart also remains committed to improving its own technologies, retail logistics, and customer service capabilities. As it increasingly integrates drone delivery into its existing strategies, we could anticipate that Walmart will develop its own internal delivery operations, rather than relying on external partners. Such a move would resonate with the retailer's essential purpose and constant dedication to streamlining its operations to become more efficient (and thereby support its low price reputation).

The search for ever-greater efficiency also can, when undertaken responsibly, enhance customer satisfaction. For example, shoppers in the DFW area can now order products via Wing's or Walmart's apps and request drone delivery in as little as 30 minutes; projections suggest that some deliveries soon will be possible within just 10 minutes. Drone deliveries are less subject to human error (e.g., a delivery driver leaving a package at the wrong address) or regular inconveniences, such as heavy traffic or a lack of parking options, such that they promise to be more accurate, as well as faster. Accordingly, customers already have embraced drone delivery, especially for food and beverages, and express satisfaction with the ease of use it offers.

Despite the appeal of drone delivery for both retailers and consumers though, safety concerns continue to temper expectations. Whereas federal-level approval exists for drone deliveries, some states and municipalities have imposed stricter regulatory policies for uncrewed aircraft. Not all customers have had sufficient time or experience to develop trust in the reliability and safety of drone technology. Some skeptical citizens even have shot down drones making deliveries to their neighbors, suggesting a deep-seated mistrust that retailers will have to overcome.

Furthermore, multiple unintended, unknown, and difficult-to-predict outcomes are likely to arise as drone deliveries scale up, such as environmental and privacy considerations. Drones' long-term viability also depends on supply-side factors, including

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technological advancements. Yet Walmart shows no signs of stopping, regardless of such potential challenges. It recently announced plans to expand its drone delivery services nationwide.

Discussion Questions

1. Would you try drone delivery services? Why or why not? What factors would inform your choice?
2. Walmart already has gained a competitive position in the U.S. drone delivery market. How should other retailers respond: Partner with existing drone delivery services? Develop their own drone delivery operations? Avoid drones altogether and seek other delivery options?

Sources: David Fuller, Bryan Logan, Pollo Suarez, and Aneliya Valkova, "How Retailers Can Attract and Retain Frontline Talent Amid the Great Attrition," McKinsey & Company, August 17, 2022; Marianne Wilson, "Study Reveals Why Retail Employees Don't Stay on the Job Very Long," Chain Store Age, August 30, 2023; OpenAI ChatGPT, "Assistance with Research on High Turnover Rates in Retail," ChatGPT, April 22, 2024; "Why Retail Turnover Rates are So High and How to Improve Them," Zipline, July 30, 2022.

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Reduce, Reuse, Recycle: Should Retailers Embrace Sustainability, and If So, Why?

Use with Chapter 5, "Customer Buying Behavior"

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The fashion industry by definition encounters constant shifts in consumer preferences—that's what fashion is. But in recent years, a certain consistency has marked these shifts, suggesting the presence of a broader trend, as well as a common need for fashion retailers to reconsider their approaches. From the rise of thrift shopping to a declining interest in fast fashion, consumers have signaled their preference for more sustainable business practices.

In response, luxury goods retailers in particular have sought to emphasize how their offerings can support sustainable approaches. For example, the luxury fashion retailer Loewe opened a repair service center in its Osaka store, with the purpose of extending the life of its leather products. Consumers can keep their expensive products functional for longer by bringing them in for repairs and restitching, as well as personalized monograms if they choose.

Other luxury brands have introduced similar initiatives. Coach offers repair services at many of its retail locations throughout the United States. Veja, a French footwear brand, has instituted both repair services and recycling programs, such that it aims to increase the lifespan of its products, and then, when they reach a wearout point, such that they can no longer be repaired, it reassures consumers that the materials will not just go to waste.

Such service offerings might be new, but they also align closely with the strategic value proposition of luxury retailers. These brands have long sought to distinguish themselves from other apparel and accessory offerings, such as fast fashion, by highlighting the longevity of their high-quality materials. Today, as sustainability increasingly gets framed as a moral choice, luxury retailers can reemphasize this appeal by offering repair services that in turn should deepen customers' brand loyalties even further. Buying a sustainable, high-quality, lasting product provides value not only by lasting a long time but also by aligning with consumers' moral values.

For consumers, loyalty to sustainable brands represents a relatively easy (if also relatively more expensive) way to participate in environmental stewardship. Sustainability efforts can enhance consumer trust in corporations too, reflecting consumers' preferences for greater corporate transparency and responsibility. In turn, people's testimonials and sales figures concur in suggesting that customer retention increases for retailers that introduce sustainable measures. In addition to customer loyalty, trust, and retention, brands enjoy operational benefits of sustainability efforts. In particular, luxury retailers actively integrate and emphasize their sustainable practices in their marketing campaigns. The initiatives can become additional, core elements of their corporate image, driving their strategic mission and marketing.

As demand for sustainability continues to grow, many observers predict a shift in manufacturing practices too, with increasing consideration of durability and extended product lifespans. If luxury brands, along with other segments of retailers, join the movement, they can help drive the change throughout the supply chain, reaching all the way back to the initial production steps. If consumers and retailers and suppliers all come together, to encourage a shift toward a wholly responsible production model, the result could be a more luxurious future, for all of us.

Discussion Questions

1. Have you ever invested in a luxury product? If you were to, what would be the biggest considerations before making a purchase?
2. Would the sustainability of a luxury brand make a difference in your decision to purchase? Why or why not?

Sources: Clara Ludmir, "How Loewe, Coach and Veja Are Embracing Sustainable Retail with Repair Stores," Forbes, February 28, 2024; Katie-Jay Simmons, "21 Retail Sustainability Trends," Fit Small Business, November 17, 2023; OpenAI ChatGPT, "Assistance with Research on Retail Repair Services and Sustainability," April 22, 2024; "Repairing Clothing: Transforming the Fashion Industry's Approach to Sustainability," Fibre2Fashion.

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McFlation: Finding Pricing Strategies to Ensure Both Profit and Consumer Loyalty

Use with Chapter 5, "Customer Buying Behavior", and Chapter 14, "Retail Pricing"

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Fast food appeals to consumers because it offers consistency and convenience. But perhaps even more important, it makes these offers in exchange for a relatively minimal amount of money, enabling people to feed themselves and their families affordably. Yet just like any retailers of products these days, fast food chains face dramatically rising costs, suggesting the need for them to increase their prices if they hope to remain profitable.

Noting price pressures and market fluctuations, companies such as Starbucks and Yum Brands (which owns KFC, Taco Bell, and Pizza Hut) report failures to attain their earnings goals. In turn, various fast food chains, including Burger King, Wendy's, and Starbucks, have adjusted their pricing strategies. At McDonald's for example, the cost of a Big Mac increased by 21 percent between 2019 and 2024.

Consumers notice such changes. The cost of taking their family out to eat has jumped, leading them to raise strong complaints. In its attempt to appease these angry, cash-strapped, and hungry consumers, McDonald's introduced a new (and limited time) $5 value meal promotion. For those diners quick enough to grab it, they could choose a McDouble cheeseburger or McChicken sandwich, together with a small order of fries, a 4-piece box of chicken nuggets, and a small soft drink, for $5.

Beyond the immediate promotional offer, McDonald's has committed to offering more transparency to consumers, such as by announcing price changes in advance rather than springing any future increases on them. This effort represents a more long-term strategy, seeking to ensure continued customer loyalty.

Similarly, other fast food chains have sought to combat consumer perceptions of rapid price increases by offering their own promotions. However, the deals rarely can last indefinitely. They function as loss leaders that can draw in cost-conscious consumers, while hopefully encouraging additional purchases of other products with higher margins. Instead, for retailers that need to rationalize their pricing to cover their costs, an incremental approach may be preferable, to avoid sparking consumer backlash.

Discussion Questions

1. If the $5 value meal promotion can only last a short time, what other options does McDonald's, and its competitors, have to boost sales and attract new customers?
2. Visit your favorite fast food location. Have prices increased recently? By how much?

Sources: Jordan Valinsky, "McDonald's Releases a New $5 Value Meal to Combat Inflation," CNN, June 20, 2024; Lauren Hirsch, Sarah Kessler, and Ephrat Livni, "Companies Counter Pushback on Price Increases With Promotions," The New York Times, June 1, 2024; Kristopher J. Brooks, "Top McDonald's Exec Says $18 Big Mac Meal Is 'Exception,' Not the Rule," CBS News, May 29, 2024; OpenAI ChatGPT, "Assistance with Research on Fast Food Pricing and Value Menus in Response to Inflation," ChatGPT, July 1, 2024; Ramishah Maruf, "Red Lobster's Endless Shrimp Deal Was Too Popular, Company Says," CNN, November 29, 2023.

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Inclusivity and Accessibility to Drive New Starbucks Retail Strategy

Use with Chapter 8, “Retail Locations”, and Chapter 17, “Store Layout, Design, and Visual Merchandising”

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Now, more than ever before, consumers are aware of the power they hold, and they want brands to walk the inclusivity talk. Starbucks appears to be listening, with plans to reduce noise levels and improve accessibility across all new U.S. locations, as well as approximately 1,000 renovated stores.

This industry behemoth is shaking up the coffee shop experience with plans to dial down the din and ramp up accessibility by installing acoustic dampening baffles or foams, which work by absorbing sound, in the ceilings of selected stores. Customers with hearing difficulties stand to benefit the most from this accessibility measure that minimizes both noise and reverberations, enabling those with assisted hearing devices to communicate more seamlessly and easily. Starbucks' commitment to enhancing accessibility both reflects and highlights the importance of inclusivity in retailing; it represents a truly customer-centric approach that goes beyond mere product offerings.

Starbucks’ purposeful consideration of employee well-being also is central to the goals of this initiative, aligning with the company’s growing emphasis on employee satisfaction and retention. But in addition to enhancing employee satisfaction, by creating a quieter, more comfortable working environment, the acoustic dampening designs promise to help optimize efficient workflows, by removing some of the obstacles presented by a loud environment.

That Starbucks is choosing this new direction when it has more than double the market share of its closest competitor is a clear indication of its savvy recognition of the need to keep evolving and innovating to stay on top. Furthermore, it aligns with the company’s continuing commitment to ensuring that Starbucks provides a third place (not home or work) and as warm and welcoming an experience as possible for consumers—historically, a cornerstone of its strategy. Inclusivity, accessibility, and employee satisfaction are the major factors driving Starbucks’ focus on enhancing the place and people aspects of its retail empire to further increase brand loyalty and growth.

Discussion Questions:

1. Does this Starbucks initiative exemplify the principles of effective retail management? Why or why not?
2. Do you see this initiative bearing fruit for Starbucks? Why or why not?
3. Imagine you were another big coffee shop retailer. Would you be worried about this initiative giving Starbucks a further competitive retailing edge? Why or why not?

Sources: Dennis Limmer, “Is Starbucks’ Focus on Store Ambiance a Sign of Future Trends?” RetailWire, April 18, 2024; Sonia Thompson, “5 Consumer Expectations for Brands Engaging in Inclusive Marketing in 2023,” *Forbes*, January 21, 2023); Statista Research Department, “Sales of Selected Leading Coffee Shop Chains in the United States in 2022,” November 2, 2023; Team TBH, “It’s Not Just a Coffee, It’s Starbucks!,” *The Brand Hopper,* 2020.); Digiday Staff, “Why Starbucks is Experimenting With Experience-Based Retail,” *Digiday*, December 17, 2018.

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Waste Not, Want Not: Minimizing Food Waste with the Help of AI

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

istockphoto / Roman Mykhalchuk

The AI revolution has ushered in sweeping changes for retailing, transforming national chains, local franchises, and independent operations alike. Especially in the supply chain, the underlying technology has helped streamline supply-side operations, reduce overhead costs, and achieve more precise inventory management. But there’s no reason to expect that the changes will stop there, as a recent innovation by Scotmid, Scotland’s largest independent cooperative, indicates.

In a partnership with Retail Insight, Scotmid has developed and implemented technology designed to make a huge difference in the critical, global problem of food waste. Specifically, Retail Insight provided various Scotmid locations with a pricing tool that keeps close track of inventory, then suggests price reductions as goods get closer to their expiration dates. This data-driven model also monitors consumer buying patterns, to prevent overstocking or understocking situations. Thus far, its implementation already has resulted in a 1.83 percent increase in products sold, as well as a reduction of approximately 42.7 tons of food waste.

Such promising outcomes seemingly suggest that similar tools should be added to every food retailer, everywhere in the world. But challenges to implementing AI inventory management systems remain. In particular, new information systems can be unwieldy and difficult to integrate with existing systems. Store associates also tend to express resistance to learning about new technology. Data inaccuracies have been reported with some programs, including faulty buying predictions that lead to inventory mismatches and consumer complaints. Consumers also express concerns about the use of AI technology in stores, citing their desire for privacy, which thus far is not protected by any clear regulations.

In response to such concerns, some retailers have purposefully tried to reduce the scale of their data management systems, focusing on finding solutions to specific challenges, including food waste. But the challenges also indicate the likely need for continued human oversight. Even if AI systems can be used to enhance inventory management and manage overhead cost, they remain unable to replace certain human tasks. Ideally, retailers might adopt a partnership model, adding new systems with the assistance and collaboration of existing staff, to balance human and machine fallibilities.

Finally, large retailers might be adopting AI tools to reduce their contributions to food waste, but significant barriers remain for smaller businesses, even if they want to add the expensive and relatively complex technologies to their operations. Considering the global relevance of food waste and the pressing need to mitigate its detrimental effects, there may be an argument for making AI dedicated to this particular outcome more freely and readily available, throughout retail food markets.

Discussion Questions

1. Do you think about food waste when purchasing groceries?
2. Can AI and related technologies be classified, into those that provide social benefits (and thus should be widely available) versus those that only benefit the retailer (and thus should be subject to conventional purchasing processes)? Would doing so be appropriate?

Sources: Andrew DeLanzo, "The AI Revolution in Retail: Transforming Marketing, Inventory, and Customer Experience," AI Time Journal, October 14, 2023; Dan Macnamara, "Scotmid Co-op's AI-Driven Strategy to Minimize Food Waste," Retail Tech Innovation Hub, March 11, 2024; OpenAI ChatGPT, "Assistance with Research on AI-Driven Inventory Management in Retail," April 22, 2024; Rudrendu Kumar Paul and Apratim Mukherjee, "Harnessing AI for Retail Supply Chain Optimization," Retail Technology Review, August 4, 2023.

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Back to the Future: How Retailers Are Using AI to Prevent Theft

Use with Chapter 10, “Information Systems and Supply Chain Management”, and Chapter 16, “Human Resources and Managing the Store”

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For every newly introduced security system, criminals seem to respond with more sophisticated workarounds. Theft has always been the greatest cause of shrinkage for retailers. But in recent years, the problem has grown exponentially, such that retailers are reporting nearly $100 billion in annual losses due to theft. As the cycle continues, stores are trying to get smarter than the thieves, by using their resources to solicit, design, and install anti-theft technology throughout their supply chains.

Many big box retailers, such as Lowe’s, require the manufacturers with which they have supply relationships to embed radio frequency identification (RFID) chips into their products during the manufacturing process. This addition not only helps them combat the theft of high-priced items, such as power tools, but also enables them to track inventory as it moves through each step of the supply chain. Relying on RFID chips requires the stores to install monitors at the exits, to alert store employees when someone leaves without paying.

Another form of monitoring instead leverages AI monitors at self-checkout points, to observe shoppers who might be tempted to engage in theft as they scan their own items. Walmart’s anti-theft systems capture the size and mass of products being scanned and bagged; they also alert store staff if the wrong item has been scanned. For example, if a sneaky shopper swapped the stickers on their fruit, such that they scanned the bar code for a cantaloupe but actually took a more expensive pineapple, the monitor should be able to detect the different shape and raise an alert. In these roles, AI helps retailers manage potential theft more efficiently. Rather than having to hire a worker to observe every self-checkout line, Walmart can make the one-time investment in technology and achieve similar monitoring capabilities. In addition, AI arguably is more objective. Its use of algorithms that focus on products purchased should reduce the risk of implicit bias by sales associates, such as due to a shopper’s physical appearance.

Moreover, AI can track patterns of suspicious behavior and thereby alert stores to the risk of an ongoing theft in real-time. Some of the advanced technologies supporting these efforts include RFID heat maps and autonomous security tools in the store. In addition, license plate readers in parking lots can give law enforcement information to pursue criminals if the retailer chooses to avoid having store personnel confront the criminals directly. These readers also can track repeat visits by vehicles, which the retailer can use to cross-check against reports of theft. If the same vehicle is repeatedly in the parking lot on the same days that thefts occur, the owner of that car represents a potential suspect.

Still, the integration of these advanced technologies raises the potential for long-term risks. Many customers already voice their concerns about invasive technology, citing their right to privacy in stores and parking lots. Furthermore, consumer advocates have noted the distinct lack of transparency by retailers regarding how customers are being monitored and how the retailers are using these collected tracking data. Experts warn retailers to carefully plan their announcement and implementation of new anti-theft devices, to avoid significant backlash. Once a retailer gathers personally identifiable data, such as through facial recognition software or monitors that track biodata, it must be responsible for protecting those data too. Otherwise, in trying to protect itself from the risk of retail theft, it puts its own shoppers at risk of identity theft.

Discussion Questions

1. As a consumer, do you feel comfortable with the implementation of the described anti-theft technologies? Why or why not?
2. Describe a recent retail experience you’ve had. Identify one potential supply-side pain point observed, and explain how the implementation of one of the anti-theft devices could alleviate this problem.

Sources: Bob Woods, "How America’s Biggest Retailers Plan to Use Technology to Catch Organized Retail Theft," CNBC, July 29, 2023; Lily Lopate, "NRF 2023: How AI Is Helping Retailers with Loss Prevention," BizTech Magazine, January 23, 2023; OpenAI ChatGPT, "Assistance with Research on Anti-Theft Technologies in Retail," April 22, 2024; Sharon Hong, "4 Technology Solutions for Deterring Retail Theft," ASIS Online, December 11, 2023.

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Short Circuiting: Exploring the Ongoing Challenges of Integrating AI

Use with Chapter 10 "Information Systems and Supply Chain Management", Chapter 16, "Human Resources and Managing the Store", and Chapter 18, "Customer Service"

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For many readers of popular media, the coming AI revolution might seem inevitable. Nearly constant reports on large corporations' plans to develop their own AI products suggest that in the near future, consumers will enjoy unparalleled efficiency and service provision by flawless technology. But as the punchline to an old joke goes, "Not so fast, Johnson!"

The problems associated with AI are starting to dominate news stories, replacing the previously laudatory claims, even for the tech giants that have functioned as the primary champions and earliest adopters of AI. For example, Google quickly introduced AI-generated answers in its search engine results with fanfare, but the answers offered prompted a lot more questions. One user reported that an AI-generated search result advised them to eat glue. Another received inaccurate information about Barack Obama, including a misidentification of his religion.

Search results are not the only outcome being potentially undermined by AI technology. McDonald's has been partnering with IBM to add technology to its drive-thru lanes that can process customers' orders and potentially even provide personalized recommendations for regular customers. Instead of enhancing efficiency though, the AI-enabled drive-thrus appear prone to a wide range of errors, which consumers also have publicized widely. In videos that appear equally frustrating and hysterical, social media users reveal their confusion when they receive ketchup packets instead of ice cream or try to juggle nine beverages being handed to them, when they only ordered two.

Likely in response to the rapid and expansive sharing and circulation of these errors, public backlash has been swift. Some consumers have sworn off companies that use AI-supported technology (or at least those that make their usage evident). Other market actors call for regulatory changes and updated laws to monitor AI-generated content and impose meaningful sanctions for not just incorrect fast food orders but also fake news that threatens more detrimental societal implications.

In turn, many of the companies that publicly adopted AI applications also have publicly announced how they would be adjusting their uses. For example, Google immediately rolled back some AI features, while promising to undertake much more testing and stricter quality control measures before reintroducing it. McDonald's paused its uses of AI systems in drive-thrus and indicated that its partnership with IBM would focus instead on how to use technology to achieve more internal operational efficiency. But the damage to public trust and their brand reputations already has been done. The question for the future is whether and how AI applications can be improved, to ensure and exploit the substantial potential benefits. Artificial intelligence is not going away; for companies and brands, the goal must be to find ways to use it strategically, to accrue all its benefits while avoiding its potential detriments.

Discussion Questions

1. What are the risks of implementing advances but still inaccurate technology for (a) companies and their reputations, (b) consumers and users, and (c) society as a whole?
2. Considering your answers to the preceding question, should AI implementation be limited by regulations, or should it continue without hindrance, so that the applications can learn and improve?

Sources: Gerrit De Vynck, "Google Scales Back AI Search Answers After It Told Users to Eat Glue," The Washington Post, May 30, 2024; Chris Morris, "McDonald's Just Fired its Drive-Thru AI and Is Turning to Humans Instead," Fortune, June 17, 2024; Jessica Apotheker, Sylvain Duranton, Vladimir Lukic, Nicolas de Bellefonds, Sesh Iyer, Olivier Bouffault, and Romain de Laubier, "From Potential to Profit with GenAI," BCG, January 12, 2024; Phillip Shinall, Elodie Teboul, Francesco Bellino, Matt Gamber, Shannon McDonald, and Clement Richet, "How Consumer Goods Companies Win in Turbulent Times," BCG, February 21, 2024; OpenAI ChatGPT, "Assistance with Research on AI Implementation Challenges in Tech and Consumer Goods Companies," ChatGPT, July 7, 2024

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Is Anyone Working 9 to 5? Tracking Trends and Declines in Labor Forces

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

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Social media these days are filled with commentary and complaints, particularly by younger generational cohorts, regarding the arguably outdated structures that define work and working and employment. Such content has introduced several new phrases into the cultural lexicon, including *quiet quitting*, which refers to a type of passive resistance by workers, in which they purposefully perform only the minimum requirements of their jobs, take all their available vacation time, and exhibit no loyalty to the employer.

But quiet quitting is something of a misnomer, in that the employees remain employed. They might put in the minimum effort, but they continue to do their jobs. Another, parallel trend goes further, especially in retail settings: Retail workers are exhibiting some of the highest turnover rates in history. Efforts to understand why they are quitting—loudly sometimes—reveal that the key drivers are the insufficient benefits and poor working conditions that retail workers all too often face. A deeper dive reveals that many retail employees struggle to keep pace with the dramatically increasing cost of living, without experiencing sufficient increases in their salaries offered. They also report poor management practices and a lack of oversight.

Whether the problem is quiet or loud quitting, the solutions are largely the same: Strategic interventions by human resource departments should seek to identify precisely what workers need to be happy at work. Likely demands will include increasing hourly salaries and improving employee benefits, such as comprehensive health care and retirement plans. Furthermore, investments in safety measures, such as ergonomic workstations, can create more desirable work environments.

Retailers who resist such ideas often cite budget concerns as a constraint, and ongoing and vigorous debates about whether to raise minimum wages reflect such arguments. But these claims appear increasingly unconvincing. Some worker-oriented initiatives, such as manager training programs or fostering a culture of open communication, cost retailers very little but can have substantial benefits for improving workers' views of their employer. Furthermore, budget-based arguments reflect a short-term perspective. Paying good employees more today, to ensure their retention and dedication, can lead to substantial long-term benefits for the firm, including better workplace stability. Happy employees who can afford to support themselves and their families with their wages are more likely to feel dedicated to their employer and their work, such that they display improved performance in ways that appeal to customers and improve the firm's bottom line.

Discussion Questions

1. Which employee benefits seem most likely to be effective in retaining the retail labor force? Can you think of any other benefits that retail employers should offer?
2. Are traditional employment relationships worth maintaining? Or should temporary, or gig, jobs be embraced?

Sources: David Fuller, Bryan Logan, Pollo Suarez, and Aneliya Valkova, "How Retailers Can Attract and Retain Frontline Talent Amid the Great Attrition," McKinsey & Company, August 17, 2022; Marianne Wilson, "Study Reveals Why Retail Employees Don't Stay on the Job Very Long," Chain Store Age, August 30, 2023; OpenAI ChatGPT, "Assistance with Research on High Turnover Rates in Retail," ChatGPT, April 22, 2024; "Why Retail Turnover Rates are So High and How to Improve Them," Zipline, July 30, 2022.

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Lost in the Maze: Why Retailers Select Certain Store Layouts

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

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A few times a year, I plan for and undertake a serious, challenging expedition. I prepare as anyone would: a good night's sleep, a healthy, hearty breakfast, and a carefully packed bag loaded with plenty of water and snacks. Thus prepared, I alert my friends and family about where I will be and how long I plan to be gone, so that they can come find me if I'm not back when expected. And then I set out—to Costco.

Wandering the store's labyrinth aisles can take hours, and products are often hard to find. Sometimes, the challenges associated with obtaining products that Costco wants customers to buy can feel oddly intentional. That's because it is. Retailers have long understood that the physical layout of stores drives consumer behavior. As a result, most brick-and-mortar locations are designed to complement the products sold.

For big box retailers, like Costco, a central goal of their customer behavior influence attempts is to encourage product discovery and incentivize impulse purchases. In stores, the ends of aisles never feature helpful labels to indicate what shoppers can find down those aisles. The chain also encourages store managers to move merchandise frequently, so that shoppers have to search each time they visit, which increases their contact time with products. Costco stores also have implemented interactive stations strategically, often placing a popular food kiosk at the end of a busy aisle.

Other brands, such as IKEA, lean into the creativity of their products instead. The furniture and home goods store actively seeks to create an immersive customer experience that will encourage exploration and play. Most locations feature large, warehouse-style buildings, with six or seven floors. The winding path to get to the checkout takes customers through every section of the store, exposing them to staged displays in each section. These comfortable scenes of modern living, made available through the possession of IKEA products, encourages a strong emotional connection with the products, such that customers already can visualize the bedroom suite or living room setup in their own homes.

In addition to such established (and largely effective) design choices, some retailers have determined that their layouts need to change to meet shifting consumer demands and preferences. Whereas Barnes & Noble had long embraced a consistent aesthetic, featuring a recognizable palette of hunter green walls and dark shelves, some of its locations have embraced the retailer's move toward more decentralized decision-making. That is, the executives leading the bookseller today encourage local stores to alter their inventory and displays to reflect local tastes, rather than insisting on a universal, single design. Taking this inducement a step further, some stores are altering not just their inventory but also their store atmosphere, such as covering up the dark walls with white paint and integrating more light wood displays. Such visual changes create more airy, calm environments. Still other locations have stripped back on the décor altogether, revealing the original bones of buildings. In response, customer reviews have been overwhelmingly positive, suggesting that individuality is a priority for these reading consumers.

Such redesigns also carry risk, of course. Imagine visiting a Costco on a weekend to find everything clearly labeled and in a logical order and location. What would we do with ourselves, and all the extra time we would save?

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Discussion Questions

1. What traits distinguish stores that purposefully make products difficult to find from those that make it easy? Can you characterize retailers on this basis?
2. What traits distinguish stores that insist on a consistent look from those that encourage local stores to adjust their layouts to meet local customers' preferences? Can you characterize retailers on this basis?
3. Describe the standard layout of another retailer. Identify how design elements incentivize consumer behavior.

Sources: Maureen O'Connor, "Barnes & Noble Sets Itself Free," The New York Times, October 17, 2023; OpenAI ChatGPT, "Assistance with Research on Store Layouts and Consumer Behavior," April 22, 2024; Roger Dooley, "The Most Overlooked Time-Waster For Retail Shoppers," Forbes, February 29, 2024

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