

**MKTG 8604**

**New Frontiers in Retailing: Magic and Logic**

**A Department Store's Playbook for Survival and Success**

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May 2023

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<sup>1</sup> We would like to thank Daniel Bloomgarden and Shea Jensen for insightful discussions.

## *Executive Summary*

To survive, department stores must evolve alongside consumers' changing behaviors and expectations. As such, using best practices, we have developed a series of recommendations for department stores to not only survive, but succeed.

First, department stores must hone existing **omnichannel** foundations in order to remain competitive in today's market. Department stores must meet baseline convenience expectations via in-store reverse logistics, BOPIS, and integrated payment optionality. The *next* omnichannel will require going beyond brick-and-mortar and online capabilities. By leveraging technology, data personalization, and virtual reality, department stores can engage the consumer through the creation of an unparalleled retail experience.

Second, diversification of revenue streams through curated digital strategies such as **marketplaces** and **retail media networks** are vital for the successful growth of department stores. Marketplaces offer a unique opportunity to grow wallet share without inventory or supply chain risk, and retail media networks enable department stores to leverage their first-party data to drive incremental revenue. However, department stores cannot allow marketplaces or retail media networks to threaten the curated consumer experience.

Finally, it is imperative that department stores incorporate and commit to **diversity, equity, and inclusion** principles. As the buying power of younger consumers continues to grow, failing to commit to DE&I will severely hinder growth. To translate commitment to the consumer, department stores must ensure diversity of their leadership teams, boardroom, and overall workforce, create more diverse and inclusive products and marketing campaigns, and diversify their brand portfolios.

## *Introduction and Problem Statement*

Historically, department stores have played a significant role in society. Emerging in the mid-19th to early 20th century in major cities, department stores have functioned as the nexus of a town - a one-stop shopping location. Based on physical size and sales volume, the three biggest department stores in the mid-20th century were Hudson's, Macy's, and Marshall Field. These retailers provided access to a broad range of goods and centralized much of consumer behavior.

Accelerated by the COVID-19 pandemic, the department store landscape has significantly weakened in recent years due to the rise of DTC, digital disruption, reliance on markdowns, and shifting consumer preferences. Household names such as Sears, JCPenney, and Barneys all succumbed to bankruptcy in the last five years, and the number of U.S. department stores is estimated to decline from 7,885 in 2015 to 4,678 by 2025.<sup>2</sup> Therefore, changing consumer behavior and preferences require department stores to reimagine traditional practices.

We have developed three overarching recommendations to help department stores achieve success in an ever-changing industry:

1. Go beyond table stakes omnichannel capabilities to create the next omni by leveraging technology
2. Drive growth by exploring alternative revenue streams like marketplaces and media networks
3. Prioritize and commit to diversity, equity, and inclusion

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<sup>2</sup> Statista, <https://www.statista.com/statistics/1183619/number-of-department-store-locations-united-states/>.

## *Thesis I: Hone the Foundation and Develop the Next Omnichannel Experience*

To survive, the department store must go beyond a simple combination of brick-and-mortar and online. To maintain relevance in a dynamic industry, department stores should integrate omnichannel basics, such as return bars and BOPIS, with the latest technology by leveraging data personalization and virtual reality. Creating a cohesive and seamless experience for the consumer is imperative, as “omnichannel customers shop 1.7 times more than single-channel shoppers.”<sup>3</sup>

We will consider both the foundations of omnichannel, which are now table stakes required by the consumer, as well as propose innovations that will enable the department store to create the next omnichannel.

### *Foundations of Omnichannel*

Despite the rise of e-commerce amidst the COVID-19 pandemic, there is still evidence to suggest that brick-and-mortar plays a role in developing customer loyalty and engagement. E-commerce pure-plays like Farfetch have struggled to turn a profit (see excerpt below from Farfetch FY'22 earnings presentation).

Strong underlying performance demonstrates differentiated platform strategy				
USD, m	Digital Platform <sup>3</sup>	Brand Platform	In-Store	Group
<b>GMV</b>	\$3,493	\$455	\$111	\$4,059
YoY Growth	(5.0)%	(2.6)%	31.3%	(4.1)%
Constant Currency YoY	(0.1)%	11.3%	45.0%	2.1%
<b>Adjusted Revenue<sup>2</sup></b>	1,420 <sup>1</sup>	477	98	1,995
<b>Gross Profit</b>	727	234	62	1,023
Demand Generation Expense	(272)	N/A	N/A	(272)
<b>Order Contribution<sup>2</sup></b> (% of Adj. Revenue) <sup>2</sup>	455 32.0%	234 49.1%	62 63.6%	751 37.7%
<b>G&amp;A and Technology Expense</b>				(\$850)
<b>Adjusted EBITDA<sup>2</sup></b> (% of Adj. Revenue) <sup>2</sup>				(99) (4.9)%

Further, there is evidence that brick-and-mortar is actually gaining popularity. At Nordstrom, digital sales have decreased as a percentage of total sales over the past two years (see excerpt from Nordstrom 10-Ks below), approaching 2019 percentages.

<sup>3</sup> McKinsey & Company, “Forecasting the future of stores”, <https://www.mckinsey.com/industries/retail/our-insights/forecasting-the-future-of-stores>.

Fiscal year	2022	2021	2020
Nordstrom	\$10,279	\$9,640	\$6,997
Nordstrom Rack	4,813	4,762	3,360
<b>Total net sales</b>	<b>\$15,092</b>	<b>\$14,402</b>	<b>\$10,357</b>
Digital sales as a % of total net sales	38%	42%	55%

Fiscal year	2019	2018
<b>Net sales by business:</b>		
Full-Price	\$9,943	\$10,299
Off-Price	5,189	5,181
<b>Total net sales</b>	<b>\$15,132</b>	<b>\$15,480</b>
<b>Net sales (decrease) increase by business:</b>		
Full-Price <sup>1</sup>	(3.5%)	(1.5%)
Off-Price <sup>2</sup>	0.2%	4.5%
Total Company <sup>3</sup>	(2.2%)	2.3%
Digital sales as % of total net sales	33%	30%

Even successful e-commerce platforms, such as MyTheresa, strive to find ways to interact with their clients in-person through dinners and other private events or pop-ups. This lends credence to the value consumers place on offline experiences and relationships.

Therefore, to seamlessly integrate online and offline experiences, department stores must meet consumer convenience expectations by employing in-store reverse logistics, buy online pickup in-store (BOPIS), and integrated payment optionality.

## In-Store Reverse Logistics

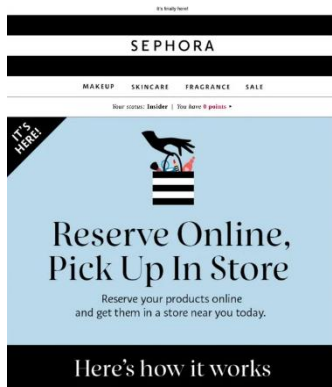
The first critical component of the omnichannel experience is a form of reverse logistics, known as return bars, which promote faster inventory processing and thereby reduce restocking costs. Department stores can take advantage of two return bar options: offering the service within their brick-and-mortar retail locations or outsourcing via third-party services. Choosing to offer return bars within owned retail locations can increase conversion by encouraging exchanges versus returns. Also, in-store return bars immerse the client in the department store's cultivated experiences. However, inherently, this avenue limits the number of return locations, which might deter customers from placing online orders if they feel that in-person returns will be inconvenient. In comparison, return bar services, such as Happy Returns, have "nearly 9,000 box-free return locations, with 87% of Americans living within 10 miles of a Return Bar."<sup>4,5</sup>

<sup>4</sup> Happy Returns Website, <https://happyreturns.com/>.

<sup>5</sup> Forbes, "Happy Returns Locations Expand to Over 5,000 With Ulta Beauty Return Bars", <https://www.forbes.com/sites/shelleykohan/2022/03/28/happy-returns-locations-expand-to-over-5000-with-ulta-beauty-return-bars/?sh=431d91281750>).

## Buy Online Pick-Up In-Store (“BOPIS”)

Additionally, department stores need to offer BOPIS in order to meet the needs of their consumers. BOPIS will provide the department store “an additional way to compete with fast-fulfillment eCommerce retailers, many of whom [can] ship items next-day to customers.”<sup>6</sup> BOPIS allows customers to ensure in-stock products and acquire those goods same day. Innovative stocking technology, such as the technology provided by Focal Systems AI,<sup>7</sup> enhances the BOPIS experience by leveraging shelf cameras to digitize sales floors and backrooms. An increasing number of retailers offer BOPIS to consumers, and BOPIS has successfully driven profitability at large retailers like Sephora, Walmart, and Nordstrom. By offering consumers an additional seamless, convenient outlet to purchase goods, BOPIS allows department stores to significantly increase overall sales.



## Integrated Payment Options

Also, department stores must expand payment options beyond traditional avenues. Payment options should include contactless checkout, payment plans (such as Klarna), and even potentially cryptocurrency. Ultimately, servicing the consumers' needs efficiently is the goal, and alternative payment methods lead to increased conversion and retention by reducing friction at checkout. Retailers that fail to offer payment method choice and convenience to the consumer will continue to lose sales and decrease consumer retention.

## *The Next Omnichannel*

## Ultimate Loyalty Programming

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<sup>6</sup> Parcel Pending, “What is BOPIS in Retail?”, <https://www.parcelpending.com/blog/what-is-bopis-in-retail/>.

<sup>7</sup> Focal Systems Website, <https://focal.systems/stocker-action-tool>.

The value of loyalty programs lies in human nature - human nature craves exclusivity and belonging.<sup>8</sup> Building the ultimate loyalty program will be critical to the next wave of omnichannel. Loyalty programs must allow consumers to “choose their own adventure”. For example, Sephora allows customers to choose how to spend their loyalty points. Loyalty points can be acquired through purchasing, attending events, and engaging with different omnichannel experiences (associated applications, etc.). The department store should consider going beyond offering products as rewards for loyalty points. Loyalty points and status could also be redeemed for access to exclusive events, pop-ups, and product launches. Loyalty members should be given the opportunity to engage in product testing, which would provide the retailer and its brands with preliminary data to evaluate the potential success of new products. Ultimately, loyalty programs must prioritize making clients feel special and valued to satisfy human nature - birthdays, anniversaries, and holidays should be recognized and celebrated.

## **Curation and Personalized Data**

For years, personal shopping has driven revenue for department stores. Increased individualized attention translates to increased consumer spending. For example, personal recommendations can turn a shopping trip for one product into a trip for an outfit. Lane Crawford, a Chinese department store, cites personal shopping as the driver of increasing consumer spend 4x.<sup>9</sup> Recognizing the success of in-store personal shopping, department stores should leverage data and technology to offer personalized recommendations across digital channels, such as Instagram, WhatsApp, and text message. Products like Haptik<sup>10</sup>, a conversational AI platform, offer the opportunity to interact with consumers across digital channels and streamline communication and personalized recommendations. Digital channels offer customers a convenient and simple way to rate the fit of items, and AI can suggest the likelihood that other products will be of interest - emulating the in-store personal shopping experience via the convenience of digital platforms.

## **Seamless Data Integration and Introduction to Virtual Reality**

Department stores must leverage the value of first-party data and employ technology to achieve seamless data integration across channels. Ideally, rather than utilizing a third-party web service or software, department stores should build proprietary software, processing tools, and data centers that enable them to own, control, and leverage customer data to create the ultimate omnichannel experience.

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<sup>8</sup> Chicago Booth Review, “How Human Psychology Explains Exclusive Brands and Exclusionary Policies”, <https://www.chicagobooth.edu/review/how-human-psychology-explains-exclusive-brands-and-exclusionary#:~:text=The%20reason%20reflects%20a%20deep,%E2%80%9CIt's%20more%20subconscious.>

<sup>9</sup> Business of Fashion, “How Personal Shopping Makes People Spend”, <https://www.businessoffashion.com/articles/retail/how-personal-shopping-makes-people-spend/>.

<sup>10</sup> Haptik Website, <https://www.haptik.ai/>.

Department stores should utilize technology to link purchase information with new digital applications, combining elements of AI and VR - for example, allowing consumers to build and run a mobile virtual closet. The application will have all of the customer's purchase history, reducing any friction arising from having to upload existing wardrobe pieces, and through integrations with personal styling, location, and weather data, suggest outfits daily for clients. Additionally, in-store locations could offer 3-D body scanners. These scanners would automatically upload the client's measurements into their virtual closet and enable the ultimate VR try-on experience. Department stores can leverage measurement and sizing data to produce individual personalized styling recommendations. Further, the application could potentially be gamified, allowing users to swipe on outfits they do or do not like, creating stronger first-party data to hone suggestions for future purchases. This type of application would create another avenue for department stores to engage with consumers and would drive retention by motivating customers to continue purchasing at the store to ensure their new wardrobe pieces are automatically added to their virtual closets.

In summation, in order for the department store to not only survive, but succeed in moving forward, it must hone the foundational omnichannel capabilities that have become table stakes while also integrating technology to achieve innovation. The department store must strive to meet the customer in each facet of their life - making shopping both accessible, convenient, and exciting.



## *Thesis II: Leverage Alternative Revenue Streams*

To develop a more robust ecosystem and stay competitive in today's market, the department store should incorporate revenue streams outside of traditional brick & mortar and e-commerce, moving toward a multi-brand retailer model via marketplaces and media networks.

### **Marketplaces**

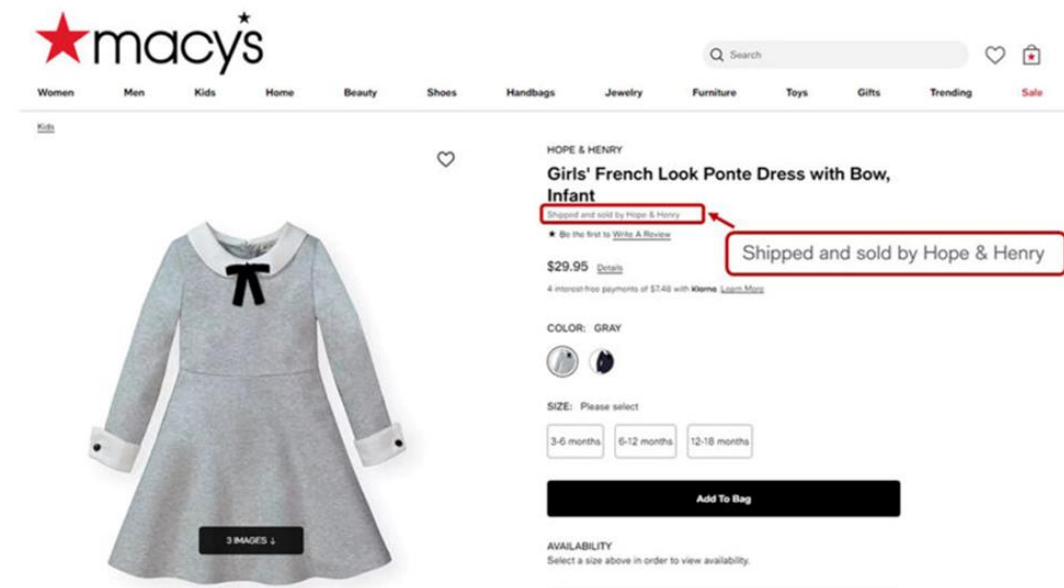
The COVID-19 pandemic saw the dramatic rise of e-commerce, but to grow competitively, the department store must continue diversifying its channel mix. Marketplaces offer a unique opportunity to department stores, as they allow stores to grow their wallet share by increasing their product offering, entering new product categories entirely, and capitalizing on trend developments quickly without any inventory or supply chain risk. From the consumer's perspective, marketplaces provide value in the form of convenience - the consumer can purchase everything it needs in one place.

Macy's, a legacy department store founded over 150 years ago, debuted its marketplace in 2022. The platform offers benefits to Macy's, to third-party sellers, and to Macy's consumers. For Macy's, the beauty of the marketplace model lies in the fact that third-party sellers are responsible for inventory management and fulfillment, therefore mitigating inventory risk usually associated with new product offerings. Macy's can use the marketplace to test new product offerings or categories and respond to consumer demand quickly and efficiently, without supply chain bottlenecks and investments. Via the marketplace, Macy's is looking to capture additional wallet share by entering new categories such as electronics, video games, wellness, and sports nutrition.

Marketplaces also represent an attractive model for sellers and consumers. Macy's marketplace enables sellers to access Macy's robust customer base, many of which would otherwise be unreachable for some sellers. For the consumer, the marketplace presents a convenient, one-stop shopping destination. The platform "enables macys.com to become a fully integrated shopping destination that bridges the gap between boutique brands and retail giants to bring more to customers, all at the click of a button."<sup>11</sup> Notably, Macy's remains committed to a curated consumer experience and focuses on partnerships with only reliable, trusted brands. When a department store launches a marketplace, it is imperative that the store understand what differentiates the brands it chooses to include and what those brands offer to its consumer.

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<sup>11</sup> Deloitte Digital, "Reinventing the marketplace", <https://www.deloittedigital.com/us/en/work/macys.html>.



Along with Macy's, Nordstrom is another department store that ventured into the marketplace domain. In 2021, Nordstrom partnered with Fanatics, a leader in the sports merchandise category, to provide consumers the ability to shop licensed sports team merchandise on its website. Nordstrom's decision to partner with Fanatics was controversial and heavily contested - why would a fashion retailer want to sell sports merchandise? The partnership enabled Nordstrom to further engage their consumers by offering convenience, a factor that continues to grow in importance to consumers, by becoming a one-stop shop for the entire family. Now, the customer only needs to make one trip to Nordstrom rather than one trip to Nordstrom and another to a sporting goods store. While the partnership allows Nordstrom to enter an entirely new product category without inventory or margin risk (as Fanatics is responsible for merchandise handling and shipping), Nordstrom must weigh the benefits of convenience for the consumer against the potential to negatively impact perception of Nordstrom's curated offering.

## Retail Media Networks ("RMN")

Retail media networks ("RMN"), a market that already reached \$77 billion in 2021<sup>12</sup>, offer the department store an attractive opportunity to further monetize its e-commerce and media platforms. RMNs allow retailers to leverage customer traffic and first-party data in order to sell advertisements via their websites, mobile applications, branded emails, etc. and become a highly effective marketing channel for brands.

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Marketplace Sources:

Yahoo, "What Nordstrom's new tie-up with Fanatics tells us about its e-commerce strategy",

<https://www.yahoo.com/video/nordstrom-tie-fanatics-tells-us-210018731.html>.

Deloitte Digital, "Reinventing the marketplace", <https://www.deloittedigital.com/us/en/work/macys.html>.

<sup>12</sup> Business of Fashion, "The Future of Marketplaces in Fashion",

<https://www.businessoffashion.com/articles/retail/the-future-of-marketplaces-in-fashion/>.

The chance to employ first-party data to create personalized, curated advertising opportunities motivates brands to purchase advertising space via RMNs. First-party data equates to power for department stores, as access to first-party data continues to increase in importance given evolving privacy regulations related to third-party cookies data. Department stores' customer relationships and access to data enables brands to target specific customer segments and audiences for their advertisements. RMNs allow brands to customize where, when, and how they reach their consumers. These targeted, personalized advertisements place the brand in front of the customer at the moment of decision-making, and create the chance for brands to promote add-on products and retarget previous customers. Further, RMNs allow brands to measure the impact of their marketing spend through closed loop reporting and purchase behavior data analysis.

For department stores, RMNs not only offer a high-margin revenue stream (according to BCG, RMNs can result in as much as 80% margins)<sup>13</sup>, but also an avenue to tighten relationships with brands and expand their client base. Advertisers can be brands that already sell products through the department store, or simply brands that will benefit from the department store's first-party data. Further, RMNs have the potential to complement and uplift department stores' personalization and loyalty efforts. RMNs and loyalty programs can propel each other's successes - revenue from an effective RMN can fund additional investments in personalization, leading to an enhanced consumer experience which will increase loyalty and drive traffic, elevating the value of the RMN.

### Exhibit 1 - Retailers Can Create a Media-Personalization Flywheel



Source: BCG analysis.

<sup>13,14</sup> BCG, "The \$100 Billion Media Opportunity for Retailers", <https://www.bcg.com/publications/2021/how-to-compete-in-retail-media>.

Department stores must act quickly, as the digital advertising market is being rapidly consumed by other major players. Amazon has established leading market share, and other mass retailers such as Walmart, Target, and Kroger are working to expand their own networks. In the fourth quarter of 2021, Nordstrom was the first major fashion retailer to launch its RMN. BCG expects the RMN landscape to subdivide into one broad, and several specialty media markets, but predicts only the top three or so companies in each submarket will be in control, highlighting the need for urgency.

However, launching a RMN will require time and investment. The amount of available data will determine the RMN's potential size and scale, and department stores must have millions of monthly e-commerce visitors to justify and fund RMN development. Retailers must not underestimate the technology involved in RMNs, as the networks require flexible offer platforms with access to a sophisticated advertising tech stack. Department stores must evaluate their resources and decide how much of the platform will be developed and built internally versus outsourcing to a third-party. Further, department stores must always keep the consumer in mind. Do RMNs pose a risk to the consumer experience? Are there other ways to leverage first-party data to build relationships with brands and clients unrelated to advertising? Maybe so, yet the potential upsides of the growing RMN market warrant exploration.

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RMN Sources:

Business of Fashion, "The Future of Marketplaces in Fashion",

<https://www.businessoffashion.com/articles/retail/the-future-of-marketplaces-in-fashion/>.

BCG, "The \$100 Billion Media Opportunity for Retailers", <https://www.bcg.com/publications/2021/how-to-compete-in-retail-media>.

Business of Fashion, "Fashion Retailers Race to Become Ad Giants",

<https://www.businessoffashion.com/articles/marketing-pr/fashion-retailers-race-to-become-ad-giants/>.

## *Thesis III: Commit to Diversity, Equity, and Inclusion*

Department stores must continue to incorporate and prioritize DE&I strategy into every decision they make. According to The Brookings Institute, the United States is rapidly becoming more diverse, with Latino or Hispanic, Asian American, and Black populations increasing 20%, 29%, and 8.5% between 2010-2019, based on 2020 census data.<sup>16</sup> As demographic shifts continue to progress, today's shoppers are increasingly demanding products and services that reflect their identity, values, and preferences. According to a McKinsey Retail study on inclusive consumers, two out of three Americans report that their social values now shape their shopping choices.<sup>17</sup> A commitment to DE&I can improve customer loyalty and satisfaction, as well as enhance a store's reputation as a responsible and ethical entity. Department stores that do not prioritize DE&I or fail to successfully implement their DE&I efforts, will risk losing market share and relevance. Therefore, to illustrate their commitment to DE&I, department stores must ensure diversity of their leadership teams, boardroom, and overall workforce, create more diverse and inclusive products and marketing campaigns, and diversify their brand portfolios.

### **Executive Representation and a Diverse, Equitable, and Inclusive Workforce**

For a department store to thrive, it will need to have a diverse leadership team. Having a diverse leadership team ensures that different perspectives, backgrounds, and experiences are represented in executive decision-making. A diverse executive team can address and identify potential biases or blind spots, as well as provide unique insights. Boardroom structures have been under major scrutiny from investors for lack of diversity. Although the retail industry is leading the way in diverse boardroom composition, with a higher percentage of female directors relative to the S&P 500 average<sup>18</sup>, there is still room for growth. According to the 2021 Corporate Governance Trends in the Retail Industry, "women hold anywhere from 25% to 50% of each retail company's board seats, with an average of only 34.2%."<sup>19</sup> Yet, women make up over 50% of the U.S. population, and "control and/or influence 85% of consumer spending."<sup>20</sup> Diverse leaders and boards provide insightful information into customer needs, preferences, and expectations. A diverse leadership team and executive board can educate the rest of their teams to better understand and connect with different customer segments.

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<sup>16</sup> Brookings, "The nation is diversifying even faster than predicted, according to new census data", <https://www.brookings.edu/research/new-census-data-shows-the-nation-is-diversifying-even-faster-than-predicted/>.

<sup>17</sup> McKinsey & Company, "The rise of the inclusive consumer", <https://www.mckinsey.com/industries/retail/our-insights/the-rise-of-the-inclusive-consumer>.

<sup>18</sup> CNBC, "Retail sector has best boardroom diversity: Report", <https://www.cnbc.com/2017/02/23/retail-sector-has-best-boardroom-diversity-report.html>.

<sup>19</sup> Harvard Law School Forum, <https://corpgov.law.harvard.edu/2021/10/18/2021-corporate-governance-trends-in-the-retail-industry/#8b>.

<sup>20</sup> Girl Power Marketing, "Statistics on the Purchasing Power of Women", <https://girlpowermarketing.com/statistics-purchasing-power-women/>.

Employees also need to see themselves reflected in executive positions, as people want to work where they see themselves represented at every level. The future of the department store will be heavily dependent on the diversity of its employees. A diverse and inclusive workplace can attract and retain top talent and increase employee productivity. Diversity at work creates a sense of belonging and inclusion, and in this environment, employees feel more valued, leading to higher job satisfaction, productivity, and loyalty.

Department stores must follow the example of Ulta, a successful beauty retailer, which prides itself on its diverse executive leadership team. According to CNBC, the brand was ranked second on the global companies with the most women in leadership list, “as 70% of its executive management identify as female and over half of its board is female, including the chair of the board of directors”.<sup>21</sup> Having such a diverse leadership team has reflected in the brand’s internal culture. Ulta reworked their “Diverse Leaders Development Program”, to now offer CEO and executive mentorship and dedicated leadership training. The organization even implemented DE&I internal programming for Diversity Week and Pride Month.<sup>22</sup>

Consumers, investors, and other stakeholders increasingly value diversity and inclusion in organizations, and a diverse executive team and workforce can demonstrate a commitment to these values on multiple levels.

## **Execution of Diverse Products & Marketing Campaigns**

As department stores cultivate a more diverse labor force, they will be more likely to create diverse and inclusive products and marketing campaigns. Diversity in the workplace promotes innovation and creativity, which is mission-critical in marketing. Talent that understands the impact of crafting marketing campaigns, messages, and imagery that more accurately reflect the customer base will be the most successful in navigating the future. As Gen Z’s buying power continues to grow, inclusive products and campaigns will increase in importance. 75% of Gen Z consumers stated that they would boycott companies that discriminate against race and sexuality within advertisement campaigns, according to a McKinsey Gen Z study.<sup>23</sup>

Prioritizing diversity and inclusion in product creation and marketing means redefining who a consumer or target audience is and expanding size and style offerings and model selection in campaigns to better represent the new understanding of the consumer. When consumers are able to visualize themselves in retailers’ campaigns or read messaging that reaffirms who they are, they are more likely to buy from that store. The department store must be intentional about

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<sup>21</sup> CNBC, “Having a woman in the boardroom or C-suite drives even wider diversity, study finds”, <https://www.cnbc.com/2022/07/28/having-women-in-the-boardroom-or-c-suite-drives-diversity-study-finds.html>.

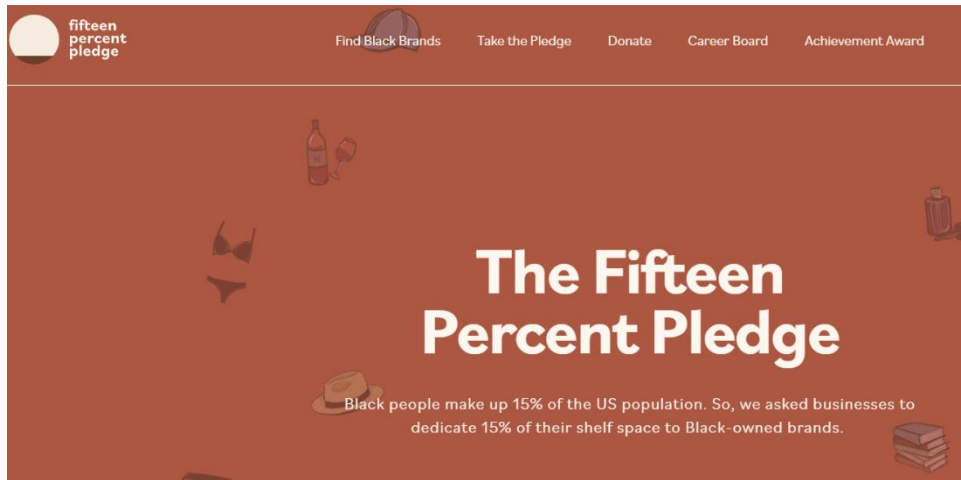
<sup>22</sup> Ulta Beauty Press Release, <https://www.ulta.com/investor/news-events/press-releases/detail/144/ulta-beauty-announces-2022-diversity-equity-and-inclusion>.

<sup>23</sup> McKinsey & Company, “True Gen: Generation Z and its implications for companies”, <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/true-gen-generation-z-and-its-implications-for-companies>.

partnering with brands that echo their commitment to creating diverse and inclusive products and campaigns.

## **Diversification of Brand Portfolios**

Consumers want products that are created by people like them and catered to their preferences. 29 national retailers, including Nordstrom, Macy's, Sephora, and Bloomingdale's, have taken the Fifteen Percent Pledge's call-to-action for 15 percent of retail shelf space to be dedicated to Black-owned brands.<sup>24</sup> Offering more diverse products in stores is not only morally and ethically responsible, but also fiscally viable.



Also, Ulta has been very successful in curating a space filled with diverse assortments. In 2022, the brand invested \$8.5 million to brand marketing support for minority-owned, minority-founded, and minority-led brands within the company's assortment. Ulta also allocated \$3.5 million to in-store merchandising support so shoppers could more easily find the minority-owned, founded, and led brands within the store.<sup>25</sup> "Investing in diversity has been a key driver of success [for Ulta]," stated Ulta's CEO, Dave Kimbell, as he praised diversity beauty products for driving Ulta's financial success in recent years.<sup>26</sup>

Overall, as we look toward the future of the department store, diversity in all aspects will be vital for success and growth. Integrating diversity and representation at the executive level and within the workforce, expanding product offerings, styles, and sizes, creating more inclusive marketing campaigns, and diversifying the store's brand portfolio are all key pieces to creating the future successful department store.

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<sup>24</sup> The Fifteen Percent Pledge, <https://15percentpledge.org/>.

<sup>25</sup> Ulta Beauty Press Release, <https://www.ulta.com/investor/news-events/press-releases/detail/144/ulta-beauty-announces-2022-diversity-equity-and-inclusion>.

<sup>26</sup> Business Insider, "Ulta Beauty lands new partnership with Rihanna. Diversity is the key ingredient to the company's success, according to CEO", <https://www.businessinsider.com/ulta-ceo-dave-kimbell-explains-how-diversity-key-to-success-2021-12>.

## *Key Assumptions*

### **Thesis 1, The Omnichannel Experience, Assumptions:**

- The department store achieves an omnichannel experience that integrates online and offline channels seamlessly, increases customer engagement, and does not cannibalize sales across channels
- The efficacy of the implementation of omnichannel offerings, such as BOPIS and data-driven personalized recommendations, in increasing overall sales and customer satisfaction

### **Thesis 2, Marketplaces & Media Networks, Assumptions:**

- When launching a marketplace, department stores understand and prioritize what differentiates the included brands, what those brands offer to its consumers, and ensures the brands are trusted partners
- The department store already has enough site traffic and data for a Retail Media Network to be able to drive a high enough return on investment to offset the large upfront costs

### **Thesis 3, Diversity, Equity, and Inclusion, Assumptions:**

- A demonstrated commitment to fairness, equality, and inclusion attracts customers and employees who share these principles and can enhance the department store's reputation as a responsible and ethical corporate entity
- DE&I initiatives are tangible and impactful, not just quotas or hollow statements, that are genuinely and fully integrated into the company's core identity and focus



# *Appendix*

# A Department Store's Playbook for Survival and Success

- Accelerated by the COVID-19 pandemic, the department store landscape has significantly weakened in recent years due to the rise of DTC / digital disruption, reliance on markdowns, and shifting consumer preferences
- Household names such as Sears, JCPenney, and Barneys all succumbed to bankruptcy in the last 5 years
- Number of U.S. department stores estimated to decline from 7,885 in 2015 to 4,678 in 2025<sup>1</sup>

***Department stores must reimagine traditional practices to remain relevant as market dynamics and consumer preferences continue to evolve:***

**1** Go beyond table stakes omnichannel capabilities to create **the next omni** by leveraging technology and loyalty programs

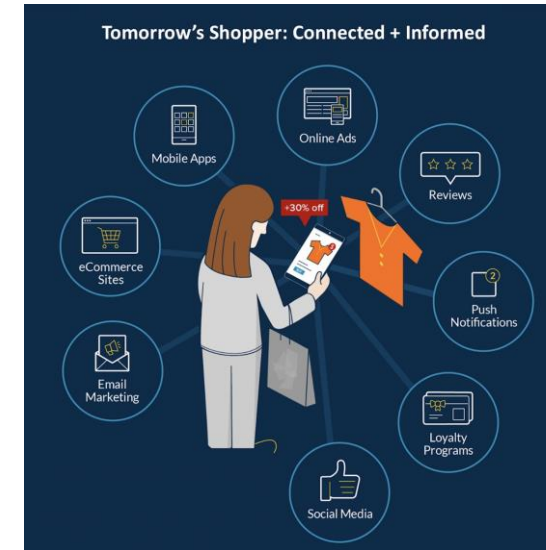
**2** Drive growth by exploring alternative revenue streams like **marketplaces and media networks**

**3** Prioritize and commit to **diversity, equity, and inclusion**

Industry Expert Mentors:

Daniel Bloomgarden, Managing Director, J.P. Morgan Asset Management

Shea Jensen, Chief Customer Officer, Pressed



## WHY DIVERSITY AND INCLUSION ARE SO CRUCIAL FOR WORKPLACE



# Theses

1

**Integrate omnichannel basics**, such as return bars and BOPIS, **with burgeoning technology**, including data personalization and virtual reality

- Hone existing omnichannel foundations, ensuring baseline of consumer convenience and optimal spending opportunities
- Go beyond the foundation and delve into new spaces, offering an unequaled retail experience

2

**Expand multi-brand retailer ecosystem** via marketplaces and media networks

- Marketplaces offer a unique opportunity to grow wallet share without inventory or supply chain risk
- Leverage first-party data to drive incremental revenue through retail media networks

3

**Prioritize diversity** amongst leadership teams, workforce, marketing, and brand portfolios

- Leadership and employee diversity creates room for a broader range of perspectives and better insight into consumer preferences
- Create marketing campaigns and craft messaging to more accurately reflect the consumer
- Consumers want products that are created by people like them, catered to them, and feel authentically designed with them in mind

## EDUCATION

### COLUMBIA BUSINESS SCHOOL

**MBA**, May 2024

New York, NY  
2022-2024

*Leadership:* AVP of Careers & Alumni, Retail & Luxury Goods Club

*Member:* Management Consulting Association, Retail & Luxury Goods, Women in Business, Snow Sports Club, Volleyball Club

### AMHERST COLLEGE

**Bachelor of Arts Rite with Distinction**, History, May 2017

Amherst, MA  
2013-2017

*GPA:* 3.9/4.0

*Honors:* Phi Beta Kappa - recognizes exceptional achievement in the liberal arts and sciences (10% of graduating class),  
NESCAC All-Academic Team

*Study Abroad:* IES Abroad in Rome, Italy (Spring 2016)

*Leadership:* Varsity Volleyball Team Captain, Student Athlete Advisory Committee

### TUCK SCHOOL OF BUSINESS AT DARTMOUTH

*A selective 30-day program taught by MBA faculty with accounting, finance, and economics courses*

Hanover, NH  
Summer 2015

## EXPERIENCE

### BOSTON CONSULTING GROUP

**Incoming Summer Consultant**

New York, NY  
Summer 2023

### PVH CORP.

*Parent company of Calvin Klein & Tommy Hilfiger*

**Manager: Strategy & Business Development** (2021-2022)

**Sr. Analyst: Strategy & Business Development** (2019-2021)

New York, NY  
2019-2022

- Designed and executed a financial model with flexibility to manipulate various value drivers (e.g., AUR, AUC) at a sub-channel level to provide brands with strategic insights regarding channel profitability
- Built a comprehensive "bottoms-up" financial model integrating the P&Ls and balance sheets of PVH's 25+ operating divisions used by senior management in the treasury department to evaluate balance sheet decisions
- Collaborated with various cross-functional teams across PVH to prepare presentations on industry trends, consumer insights, market share data, and financial analyses for senior management and board of directors
- Managed M&A processes from identification to close, including sale of Speedo North America to Pentland Group for ~\$170M in 2020 and sale of intellectual property and other assets of Heritage Brands to Authentic Brands Group for ~\$220M (and license-back of Heritage dress shirt and neckwear businesses) in 2021
  - Led due diligence processes, crafted marketing materials, and prepared financial analyses for senior management and board of directors
- Earned off-cycle Manager promotion in 2021 (including oversight of one direct report)

### J.P. MORGAN CHASE & CO.

**Investment Banking Analyst: Energy Coverage Group**

New York, NY  
2017-2019

- Delivered client presentations and conducted valuation analyses including DCF analyses, merger math, and IPO math
- Select experiences:
  - Lead-left book runner on debut bond offering for oilfield services company
    - Analyzed client's capital structure and assisted in the preparation of ratings agency materials
    - Conducted detailed company valuation and trading comparables analysis for organizational materials and roadshow presentation in collaboration with the management team
  - Lead advisor to oilfield services company on a ~\$500M acquisition
    - Assessed implied pro forma impact through accretion / dilution math
    - Performed detailed valuation of the target to assist board of directors through the negotiated auction process

## ADDITIONAL INFORMATION

*Interests:* World travel, exploring new restaurants, film & television, skiing, Houston sports

*Skills:* Financial modeling, Microsoft Office

*Volunteer Work:* Concert Against Cancer benefitting The Broach Foundation

## EDUCATION

### COLUMBIA BUSINESS SCHOOL

MBA, Technology, Marketing, and Strategy

Honors: Consortium Fellow and Student Liaison, Forté Fellow

Clubs: Marketing Association of Columbia (AVP of Membership and Social), Technology Club

New York, NY  
2022-2024

### HOWARD UNIVERSITY

BA, Strategic Communications, Concentration: Public Relations

Honors: Dean's List (4 Years), National Society of Collegiate Scholars Inductee, Golden Key Honor Society Inductee

Leadership/Study Abroad: Young Africana Leadership Initiative (South Africa Exchange Fellow), NCNW, Inc. (President)

Washington, D.C.  
2013-2017

## EXPERIENCE

### HILL+KNOWLTON STRATEGIES (H+K)

A WPP company. Award-winning global communications and public relations agency

New York, NY  
2018-2022

#### Consumer & B2B Tech Senior Account Executive & Global DE&I Strategic Lead (2022)

- Led data-driven storytelling campaigns from ideation to execution, including research planning, content development, media relations, brand visibility, and data measurement, resulting in media coverage that surpassed client KPIs by 140% in 8 months for Fortune 500 clients, including Amazon, Spotify, Oracle, and Ford
- Worked cross-functionally with Ford's Connectivity team and Amazon's Smart Vehicle team to launch a critical piece of their go-to-market strategy, the NY Auto Show activation, showcasing Alexa's teachable AI car technology integration with Ford vehicles. Managed on-site activations, attracted 10K visitors and secured interviews and media coverage, increasing impressions by 50%
- Selected as the youngest global DE&I strategic team lead to execute internal campaigns for International Women's Day, Pride Month, and Black History Month, increasing the overall social engagement by 75% in 7 months on Twitter and Facebook

#### Corporate Affairs Account Executive & Global DE&I Strategic Lead (2021-2022)

- Shaped Oracle's go-to-market strategy, including media planning, messaging, product positioning, and market research, for retail and hospitality B2B product launches. Integrated marketing collateral into 5K+ media placements across four regions
- Led implementation for H+K's inaugural Howard University Fellowship Program, developed the marketing and outreach campaign, and created the website and branding materials, resulting in increased HBCU engagement by 50%

#### Global Marketing & Corporate Affairs Assistant Account Executive (2020-2021)

- Developed agency's Twitter strategy including implementing A/B testing for optimization, building content calendar, and utilizing HootSuite to analyze campaign performance, resulting in 82% increase in engagement and 430% increase in followers over 6 months
- Planned a women's mentoring event through budget management, keynote speakers planning, and marketing materials design, resulting in 200 registrants, 124 mentor pairings, and 99% of participants reporting they'd recommend the program for a second year

#### Global Marketing & Corporate Affairs Associate (2018-2020), U.S. Marketing & Communications Fellow (2018)

- Partnered with Oracle's Global Head of Retail Marketing to deliver insights to the global retail community. Designed consumer behavior survey questions, identified key trends, and delivered an industry report, resulting in increased industry coverage by 75%
- Selected by H+K's SVP of Tech to help develop Oracle's research and PR strategy to highlight restaurant and hospitality trends to support marketing initiatives. Analyzed aggregate consumer data, translated complex data into 3 industry-wide reports and marketing assets, resulting in over 3K media placements and increased global brand awareness
- Developed industry awards marketing campaign strategy. Project managed rollout timeline, collaborated with cross-functional teams to maximize voter reach, and kept stakeholders updated on asset completion and submission schedule, resulting in 25 award wins

### ROCK THE VOTE

#### Digital Media Fellow

- Managed all Rock the Vote's digital media accounts and SMS database, totaling over 4 million subscribers and followers, and created 10 internal analytical data reports for the Digital Director based on SMS, website, and social media metrics
- Executed a small donor Giving Tuesday digital fundraiser campaign through concept creation, worked cross-functionally with a creative agency on web design and graphics, and developed the digital marketing campaign, resulting in \$3K raised in 24-hours

Washington, D.C.  
2017-2018

## ADDITIONAL INFORMATION

Technical Skills: Adobe Photoshop, Google Analytics, Hootsuite, Brandwatch, Cision, CVENT

Certifications: Georgetown University's Digital Marketing Professional Certification; McKinsey & Company's Management & Leadership Accelerator Program: Problem Solving, Business Strategy, and Business Fundamentals

Organizations: American Marketing Association; ColorComm; Admit.Me Access Alumni Board; Delta Sigma Theta Sorority

Interests: Genealogy tracing; Traveling to all 7 continents; Watching 90's movies; Trying new restaurants in NYC

**EDUCATION****COLUMBIA BUSINESS SCHOOL****MBA**, Entrepreneurship, May 2024New York, NY  
2022-2024*Honors:* Forté Fellow, Columbia Fellow*Leadership* : Venture Capital Club Chief of Staff, Columbia Women in Business AVP of Community*Member:* Columbia Beauty Club, Columbia Entrepreneurs Organization, Health and Wellness**UNIVERSITY OF PENNSYLVANIA****BA**, Philosophy, Politics, and Economics, May 2019Philadelphia, PA  
2015-2019*Minor:* Law & Society, Political Science*Honors:* magna cum laude, Pi Sigma Alpha Honor Society, Dean's List (2015-2016, 2016-2017)*Leadership/Study Abroad:* Sigma Delta Tau, Kings College London Exchange Program**EXPERIENCE****DEUX***A female-founded functional food brand that believes good-for-you should taste good***Chief of Staff** (Jan-Sept)New York, NY  
2022

- Managed new product development pipeline from formulation to launch for seven new products
- Concepted and developed new product line extension and go-to-market strategy
- Created in depth inventory management system

**LOVERBOY***A premium better-for-you, ready-to-drink alcohol and lifestyle brand***Innovation Intern** (Jan-Aug)New York, NY  
2022

- Developed innovation strategy for three different product lines
- Assessed current e-commerce platform and informed website redesign

**LEGALLY ADDICTIVE FOODS***A female-owned and founded Brooklyn-based brand making salty and sweet things***Business Development Intern**New York, NY  
2021-2022

- Generated marketing schedule and strategy, including new product launch, seasonal products, holiday gifting, and influencer outreach
- Built pitch deck to send and present to prospective investors

**ACCENTURE****Management Consultant** (2021-2022)New York, NY  
2019-2022**Management Consulting Senior Analyst** (2020-2021)

- Set strategy and coached 10 analysts in assessing retailers' e-commerce platforms
- Conducted research and analysis for Accenture's 2021 annual edition of Retail Trends used in client work
- Created streamlined global business processes across over 30 countries for sales, marketing, and service capabilities for \$14B agricultural company

**Management Consulting Analyst** (2019-2020)

- Generated comprehensive training manual for technical solution of end-to-end connected customer relationship management platform for \$8B retailer
- Determined strategy and enabled technical solution for sales and marketing capabilities through customer relationship management platform for Latin American segment of \$14B agricultural company
- Analyzed current state and developed e-commerce strategy for \$7B segment of major technology company

**ADDITIONAL INFORMATION***Volunteer Work:* Red Door Community Associate Board Member, Big Brothers Big Sisters, Penn Club*Languages:* Italian*Interests:* Running, teaching yoga, Philadelphia sports, wine, thriller novels, contemporary art

## EDUCATION

### COLUMBIA BUSINESS SCHOOL

**MBA**, May 2024

New York, NY

2022-2024

*Leadership*: AVP of Treks for Health Care Industry Association, Admissions Committee for Columbia Women in Business

*Member*: Investment Banking Club, Social Enterprise Club, Gourmet Club, Harlem Tutorial Program, Snow Sports Club, South Asian Business Association, Wine Society

### NORTHWESTERN UNIVERSITY

**MPH**, December 2019

Evanston, IL

2018-2019

*Thesis*: "Menstruation Hygiene Management in the U.S.: An Exploration of Policy and What is Known"; presented findings at three national public health conferences to 200+ professionals and submitted two manuscripts for publication

*Internship*: Interned with Obama Foundation; launched Girls Opportunity Alliance Fund to support global girls' education; engaged with 500-plus global education leaders; selected 5 organizations to spotlight on NBC's "Today Show," raising \$150K in funding

**BS**, Social Policy, June 2018

2015-2018

*Minor*: Civic Engagement

## EXPERIENCE

### CENTERS FOR DISEASE CONTROL AND PREVENTION (CDC)

**Public Health Analyst (ORISE)**

Atlanta, GA

2020-2022

- Developed strategy package on diabetes prevention and management presented by Division Director to 1,000+ individuals globally; resulted in ~5% increase in unique visits to national prediabetes awareness campaign website
- Created a model to evaluate cost-effectiveness of implementing a national diabetes registry budgeted at \$30M+ annually with a potential impact on 34.2M people
- Drafted Capitol Hill announcement for 35 members of Congress, translating new study documenting impact of visual acuity loss and blindness on 7M people into policy recommendations that address vision loss
- Prepared talking points for CDC Director Dr. Rochelle Walensky to be utilized in a briefing to the Congressional GOP Doctors Caucus; prepared 15 responses to congressional inquiries during deployment to CDC's COVID-19 Response

### NORTHWESTERN UNIVERSITY FEINBERG SCHOOL OF MEDICINE

**Project Director** (2019-2020)

Chicago, IL

2018-2020

- Managed 15-person research team with budget of \$50K to investigate menstrual-product affordability, one of three research studies selected by Chicago Public School's Research Review Board conducted during COVID-19 pandemic
- Drafted recommendations for Chicago Public School leadership on menstrual-product distribution in emergencies; coordinated menstrual-product distribution centers at 5 district hubs, which provided 130K products to under-resourced families
- Designed and launched Community Scholars Program, which provides capacity-building support for public health organizations; offered 5 workshops that have been attended by 60+ community partners; pitched and secured \$25K for program expansion

**Research Analyst** (2018-2020)

- Facilitated development of cooperative agreement between Chicago Public Schools, Chicago Department of Public Health, and Northwestern University to study menstrual poverty, impacting 350K students from 660 schools
- Launched two initiatives impacting 150+ students addressing structural bias and racism in public health as a member of Feinberg's Task Force on Inclusion and Bias

### U.S. DIGITAL RESPONSE

*Volunteer technologists supporting governments responding to crisis*

San Francisco, CA

2020-2022

**Project Leader**

- Developed and deployed Neighbor Express digital platform to provide free deliveries of meals, groceries, and essential items to homebound individuals during COVID-19; initiative has helped coordinate 500+ errand deliveries and 10K+ meal deliveries
- Managed 20 volunteer technology and operations professionals to execute product development and marketing initiatives
- Consulted with 15 government partners to implement Neighbor Express in 6 state and local governments

## ADDITIONAL INFORMATION

*Volunteer Work*: Program Educator for Unsilence (*Human rights non-profit employing storytelling to spark discourse*), Sexual Health Educator for Peer Health Exchange (*Comprehensive Health Education in Chicago Public Schools*)

*Languages*: Spanish (Fluent) & Hindi (Proficient)

*Interests*: Karate, Jane Austen, Watercolor Painting, Triathlons, Mixology, Interior Design, Global Girls Education

## EDUCATION

### COLUMBIA BUSINESS SCHOOL

**MBA**, Marketing and Strategy, May 2024

New York, NY

2022 - 2024

*Leadership/Honors:* Retail and Luxury Group Assistant Vice President of Events; Forte Fellow.

*Membership:* Columbia Women in Business (CWIB), Green Business Club, Columbia Beauty Club.

### UNIVERSITY OF VIRGINIA

**BA**, Anthropology

Charlottesville, VA

2014 - 2017

*Minor/Honors/Study Abroad:* Economics Minor; Graduated with Distinction; Oxford University Economics Study Abroad.

## EXPERIENCE

### MYCASHMERE

New York, NY

**Marketing and Data Analytics Intern** (2022-Present)

Fall 2022 - Present

- Develop marketing campaign strategies and optimize website product positioning by running and analyzing A/B test campaigns and building regression models to predict peak email distribution timelines, increasing email open rates by 19.6%.
- Craft go-forward strategies for expansion into U.S. market based on identifying three customer segments, developed in part through conjoint analysis and competitor assessment as it relates to pricing, sustainability, and luxury aesthetics.

### DELOITTE CONSULTING LLP

Arlington, VA

**Senior Consultant** (2021-2022)

2018 - 2022

- Conducted international stakeholder interviews to assess full cost implications and to identify three ideal marketing platforms and new customer segment for expansion of Bolivian ecofriendly packaging product.
- Devised stakeholder engagement plan to leverage new and existing partnerships in promoting a \$10,000 GreenCrowds fundraising campaign to support the innovation of sustainable disposable containers made from banana leaves as part of an international team.
- Directed sales process for a new Government & Public Service offering, leading to over \$8 million in work in its first year, \$3M over plan, by tracking business opportunities and drafting marketing content, proposals, and point-of-view documents.
- Designed all objectives, cadence, and content for vaccine management system user communications, including material hosted on the client's public-facing website, contributing to the administration of over 11 million vaccinations through the platform.
- Spearheaded initiatives across multiple government departments to ensure timely (within 24 hours of a Centers for Disease Control and Prevention's update), accurate, and bilingual (English and Spanish) messaging around COVID-19 and vaccine information.

**Consultant** (2019-2021)

- Pioneered a Future Workforce initiative, leveraging Human-Centered Design research and stakeholder interviews, to identify priority workforce capabilities to inform a 20-person executive leader Future Workforce Lab.
- Served as project manager, supervising 15 global resources, for a \$5.3 million enterprise-wide implementation of a cyber security platform, deployed across 8 different government operating divisions.

**Business Analyst** (2018-2019)

- Owned Integrated Master Schedules, led weekly client status report meetings, developed and executed against monthly financial projections, and ensured monthly implementations were completed within the allotted time frame and budget.
- Authored and delivered a multifaceted training strategy to educate over 100 platform end users with diverse learning needs.

### J.CREW CORPORATE HEADQUARTERS

New York, NY

**Merchant Assistant** (2017-2018)

2017 - 2018

- Managed \$1 million of products within the accessory department by balancing financial, design, and assortment decisions.
- Optimized inventory levels by analyzing sales data to provide recommendations to the Divisional Director of Merchandising and the Head of Planning and Allocation, leading to an increase in seasonal sales of 33% on a 28% decrease in inventory.
- Partnered cross-functionally with design and production to develop optimal value products and processes using cost engineering best practices, reducing baseball hat costs by 20% and fabric usage by 50%.
- Increased sell through rate by creating cohesive assortment displays across brick and mortar and ecommerce sales channels; leveraged market research, consumer insights, and competitor analyses to determine assortment strategy.

## ADDITIONAL INFORMATION

*Volunteer Work:* Streetwise Partners (career mentorship to under- or unemployed D.C. residents) and Learning Disabled Tutoring.

*Languages:* Spanish (conversational) and Italian (beginner).

*Interests:* Mystery Books (favorite series include Sherlock Holmes and Roma Sub Rosa), Personal Fitness (ran two half marathons and enjoy weightlifting and kickboxing), Sustainable and Ethical Shopping.