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Kohl's Case Competition 2016

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Introduction

Kohl's purpose is to inspire and empower families to lead fulfilled lives. Kohl's needs to now engage the millennial demographic. Focus needs to target these customers to hook them for life, and build their loyalty to Kohl's. Millennials are the young adult generation of now, who are forming their opinions, shopping habits, and developing loyalties. Millennials make up 25% of the current U.S. population ("Who are Millennials"), that's a quarter of the population, that Kohl's needs to reach. Millennials, also, make 21% of consumer discretionary purchases ("Who are Millennials"). This means that when it comes to direct buying power, millennials are generating a predicted amount of over a trillion dollars, in sales ("Who are Millennials"), which can have a colossal impact on the economic future of brands. In order to reach the millennial shopper Kohl's will need to communicate to this generation through the medium they utilize: social media. Kohl's will also need to invest in new technology to reach this group, for example, creating an experience they want and give them the a virtual closet. Eighty percent of millennials want to be entertained by brands ("Who are Millennials"). Research shows that the millennial generation is passionate about being trendsetters, tech savvy, and having social media presence. These three things will satisfy those needs and morph the millennial demographic into loyal Kohl's customers.

Ideas to Connect with Millennial Market

Creating a virtual closet feature through the Kohl's app will tap into technology and get ahead of the game. This will give the shopper an experience similar to one shown in the movie *Clueless*, which came out in 1995 and is very popular among young woman in the millennial demographic. In the movie the main character, Cher, goes to her

computer to pick out an outfit and tries it on her body, through the computer screen, and then her closet rotates to the outfit she has chosen to her. Every person that enjoyed this movie wants this closet. The millennial shopper is comfortable with shopping online. The problem with online shopping is the abandoned shopping cart and the returns. This app will help to alleviate both problems, and help to increase sales. The app would be called “My Kohl's Closet”, where customers can type in their height, shape, bust size, weight, and your skin tone. The virtual body will adjust to the size of the customer and look almost identical to their body type. To personalize the experience the customer can have the option of uploading a picture of their face onto the virtual body. The customer can also adjust their hair length, color, and style. If they don't want to upload their own face, there is an option to adjust the face to their age and facial features, so it will seem more accurate. The customer will be able to try the clothes on their bodies and spin the image 360 degrees so they can see outfits from every angle. Once they decide they like the look of the outfit, they can add it to their cart directly from the app, and checkout.

We also would tie the app into the blog that we will discuss later in the paper. This would enable a shopper to shop for trendy outfits straight from the Kohl's blog and try on all the accessories along with the clothes. They could then immediately purchase the items they chose. It would be very wise to be the first to have this technology exclusive to Kohl's. Millennials love using new technology, 56% of them reported that they would be the first to try out new technology ("Who are Millennials"). It, also, benefits Kohl's other demographics, like busy families who might not have time to come into the store, or elderly people that can't walk around the store. In terms of future growth for the company, “My Kohl's Closet” could be adapted into Kiosks within

the store and on the Kohl's website. This virtual closet would be a way to get ahead of the competition, make Kohl's trendsetters in technology, and provide easier experiences for the Kohl's customer.

Many retailers have or are starting to blog, like one of Kohl's top competitors Macy's, whose blog is newly developed. Kohl's can get ahead of the curve by giving Millennials an amazing blog and market to these customers without them thinking it is another advertisement. Two famous blogging sites are Pinterest, with 35% millennial usage, and Tumblr, with 21% millennial usage. ("The Principle Financial Group"). Together, that's over half of the millennial demographic that uses some sort of blog program. Not to mention that today successful bloggers are getting paid millions of dollars to discuss and review products because they have such a vast millennial following. Bottom line is blogs generate major revenue because millennials can connect their interests with Kohl's and find the latest trends in clothes and culture. Some companies with successful blogs are Roxy, American Eagle, William Sonoma, and Anthropologie. Roxy's blog is bright and vibrant with pictures of products that really popped. Roxy also uses culture and activities like music, fitness, art, snowboarding, and surfing to attract millennials. The blog also has tips and giveaways customers can enter in ("Congratulations"). American Eagles' blog is very simple and lifestyle oriented with posts on culture and music. You could shop right from the site and go behind the scenes of American Eagle to see how commercials are made ("American Eagle Outfitters Blog"). William Sonoma's blog was colorful, interactive, and has links to follows the companies other social media straight from the site ("About Us"). Lastly, Anthropologie has a simple, yet pretty blog with topics about travel, DIY, music, décor, and a section

called "Your #Anthropologie" where customers can post pictures of themselves in the products ("Work(out)-Life Balance"). In the Kohl's blog, we suggest a section where can browse outfits with links to a virtual "My Kohl's Closet," where trend setting outfits from the blog can be tried on the shopper's virtual body, and then can buy it right from the app. A successful blog can be a lot of work to launch, therefore a new team would be hired to create and maintain the blog. This is totally feasible for the company because the return on investment would be huge not only in numbers, but in loyalty. It would help display amazing products, provide an easy shopping experience by trying on in the virtual closet, and then checkout. Lastly, it would provide personal connections about cultured topics and DIY projects. Customers will feel linked with Kohl's because the company cares about their customer, their interests, and their opinions. A blog would make Millennials loyal Kohl's customers for life.

When it comes to the Millennial market, the biggest way to generate revenue, create brand loyalty, and Millennial involvement is through having strong social media presences in the retail industry. Looking at social media stats, 82% of millennials have a Facebook account, 73% have a Snapchat account, 50% have an Instagram account, 35% have a Pinterest account, 30% have a Twitter account, and 21% have a Tumblr account ("The Principal Financial Group"). Social media is becoming groundbreaking for retailers. It is a new way to market to a generation glued to technology. Kohl's already has a Facebook, Instagram, and Twitter accounts, which is great; however, there needs to be more customer involvement within these sites. This will generate revenue and provide a chance for more millennials to see Kohl's products and what the company is about.

Once someone follows, or likes, a site there needs to be content that will keep them coming back and reading the posts.

We propose there can be “Kohl’s Week” that takes place online through the company’s social media accounts, connecting customers from over 1,100 stores. Kick off the week with “Make Your Mark Monday.” On this day, customers can post a selfie with Kohl's merchandise, for example in an Apt. 9 outfit, using Farberware cookware, or lounging in a Sonoma lounge chair, and tag Kohl’s in the picture, or post.

Next, “Transformation Tuesday,” where customers can post a before and after picture of their makeup or hair using Kohl's products with a description of what they use, and again tagging Kohl’s.

“Wild Card Wednesday” would be the third day, where customers can take a picture of their favorite Kohl's product or write a post about their best Kohl's experience, that way Kohl's can get customer feedback. Participation would be high because 70% of millennials feel that they have a responsibility to share feedback regarding a company (“Who are Millennials”).

The fourth would be “Throwback Thursday,” where Kohl’s customers can choose to post a picture of a time Kohl's completed their outfit, or a memory of a throwback to a time when Kohl's helped bring their friends and family together. An example would be Kohl's cookware helping a group of millennials, who couldn’t go home for a holiday, have a “Friendsgiving”. This will show every customer they can have a successful life through Kohl's and create memories because of it.

Friday can be “Fit Friday.” Athleisure is one of the biggest trends for this demographic right now. Kohl's Fridays can promote brands like Nike, Fila, and Gaiam.

Customers post pictures of themselves outside being active. Kohl's has a lot of good causes they support, like the environment, "Kohl's Cares For Kids," and the addition of supporting getting outside, being healthy and active to the list would be very beneficial. Fifty percent of millennials are more likely to make purchases if it supports a cause ("Who are Millennials").

"So College Saturday" comes next, where you post a selfie decked out in your college attire, and "Sports Sunday" is when you post a picture at a sports game or in your favorite team's attire. Each post should have #LifeAtKohls.

To further the posting excitement, judges can pick the top ten posts on Monday, Tuesday, and Wednesday, and email winners a 30% off coupon. Customers can come into the stores Thursday, Friday, Saturday, and Sunday and show the cashier their post to obtain an additional coupon of \$10 off. This gets customers in the store around the merchandise and involved in social media. For "Fit Friday" we would encourage customers to post by offering a Kohl's water bottle for the first 20 customers at one Kohl's store in each of the 16 regions, along with the coupon.

Kohl's needs to become part of the social media Snapchat, because, according *The Wall Street Journal*, over 100 million people are using it daily, millennials included (Stern). Team JWU and their peers check Snapchat consistently throughout the day. They watch the Snapchat Stories posted by their friends, celebrities, and stores. A Snapchat Story is a photo or video you post to your account that becomes visible for you and your followers to view. If Kohl's made Snapchat Stories it would make personalized connections with customers because they would feel closer with Kohl's. Kohl's can put celebrity designers, like Lauren Conrad and Jennifer Lopez, in their Snapchats, which

customers would love to see. Snapchat is also a great way to advertise. For example, Magazines and T.V networks, like Cosmopolitan, People, and MTV, have daily stories that most Snapchat users watch. These stories have commercials within them, targeted at millennials. Forty four percent of millennials check their social media at least seven times a day ("How Millennials Use"). If Kohl's were to get on the social media train it would get the product in the millennials mind more then once a day and be extremely beneficial for Kohl's. Each social media account should have a link to the stores' website so customers can be immediately connected to Kohl's and purchase items right away.

Financials

The first set of numbers includes the blog team (Table 1). The blogger would be making \$41,000 a year ("Entry- Level Writer"). Their responsibilities include writing the blog posts including the new product information, making each post cohesive to the previous post, relating to the greatness agenda, and working on new, trendy, and exciting content. The photographer has a yearly salary of \$30,000 ("Simply"). They would be responsible for taking and editing the photos of the products or the post's topic. The editor for the blog is making \$40,800 a year, and oversees the blogger's writing ("Entry-Level Editor"). Finally, the domain for the blog costs \$9 a year, according to GoDaddy (Zwilling). We assumed that the trend forecasters already in the company would help with the styling and suggestions of what to blog about.

Adding the virtual closet to the Kohl's app will cost \$113,401 (Table 2). The cost of the Kohl's closet added to the app include user privacy setting, search, social sharing, shopping cart, user profiles, accept payments, customer user interface,

geolocation, camera/photos, and the rating system. Maintaining the app is an additional \$34,020.30, which is 30% of the app's new feature cost (Lauvray).

For creating a Snapchat account for Kohl's would be free, because to create an account does not cost money (Table 3). However, we suggest you hire an extra person to maintain the account and post Snapchat stories frequently. This person would be making a yearly salary of \$41,170 ("Entry-Level Public Relations"). For the advertisements in Snapchat, according to adweek.com in January 2015, is \$750,000 per day (Sloane). We suggested an ad happens once a quarter.

The Kohl's coupons that go along with the "Kohl's Week" on Instagram will vary based on the manufactured suggested retail price and percent off per customer purchase (Table 4). Lastly, the Kohl's reusable water bottle given away with "Fit Friday" is costing the company an estimate of \$7 per water bottle, according to Vistaprint, and giving away 320 water bottles, totaling with a cost of \$2,240 ("Fruition").

To make ideas of more involvement in social media, creating a blog, and updating the Kohl's app with the virtual closet possible is completely feasible and will connect with millennials. In total, it will cost the company \$1,052,640.

Return on Investment

Return on investment (ROI) will not only be numbers, but also more loyal customers due to the "My Kohl's Closet," creation of the blog and, social media updates. The social media and app downloads will give the followers a constant reminder of the Kohl's products and how much they want to buy them. With the virtual closet, we expect 7,000 people to download the app for "My Kohl's Closet." This will create an ROI of \$350,000. The blog is expected to gain 9,000 followers within the millennials

demographic in the first year. This will create an ROI of \$800,000. Kohl's adding a Snapchat account will attract 2,200 followers, with an ROI of \$110,000. The "Kohl's Week" will gain 10,500 more followers to their Instagram and Facebook, creating an ROI of \$525,000. The total ROI, at most, is \$1,785,000.00.

Success is measured based on the income generated, and how effectively we utilize our assets. The virtual closet has their success through new app purchasers, which in turn will make more customers. This is because when people use the virtual closet they will have an easy experience, see how great they look in Kohl's clothing, and purchase it. The success for creating a blog for Kohl's is measured through follower and customer. The blog will show the followers new products, how to style or use them, and bring in new customers, making more revenue. The "Kohl's Week" through social media has its success measured by many participants, new followers on Instagram and Facebook, and new customers at Kohl's. Adding an advertisement on Snapchat will create more Snapchat followers, create more excitement for the new products at Kohl's, and more revenue through the sale of the products. In the end, Kohl's will get new app users from the virtual closet and more followers through the blog and social media. Utilizing social media and technology will interest the millennial generation in Kohl's.

Conclusion

"Loyalty is very important. Longer term, personalization is probably more important because [it] has a big impact around the effectiveness of our marketing and driving more traffic into the stores." Said Kevin Mansell, the CEO of Kohl's. Adding a blog for Kohl's shoppers to look at would help create the personalization Kevin Mansell wants, because it gives them a way to connect with the trends they want, the clothes they

buy, how they are made, and who is making them. Also, it is an opportunity to give them a behind the scenes look at Kohl's and make them feel important because they are included on the process of products they buy. The blog helps to create personalized experiences, which will lead to loyalty and create an easy shopping experience. The shopper can go from the blog, to the virtual closet, to the checkout process in one quick process. Social media also improves the amazing savings that Kohl's offers by creating customer involvement for the incentive of coupons during "Kohl's Week." "My Kohl's Closet" creates an easy experience because you can try clothes on if you are in a rush, or just don't have time to get to a Kohl's store. It creates loyalty to through this technology. Overall, adding a blog, more social media interaction, and a virtual closet to the app will make every customers life at Kohl's that much better.

Appendix

Table 1- Blog Expenses	
Blogger	\$41,000
Photographer	\$30,000
Editor	\$40,800
Domain name (throughGoDaddy)	\$9

Table 2- Virtual Closet App Expenses	
Virtual closet app feature	\$113,401
Maintaining an app	\$34,020

Table 3- Snapchat Expenses	
Snapchat advertisement	\$750,000
PR person maintaining Snapchat account	\$41,170

Table 4- “Kohl’s Week” Expenses	
Kohl’s Coupons	Factor in with the Manufacture Suggested Retail Price, estimated per customer purchase.
Kohl’s Water bottle for giveaway	\$2,240

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