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## SHOP THURSDAYS: POST COVID-19 STRATEGY

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*Holli Greenwald wrote this case under the supervision of Ian Dunn solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

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In June 2020, Gillian Piltz, co-founder of Shop Thursdays (Thursdays), had just ended a conference call with her two business partners, Rita and James Benzacar. Thursdays was a retail boutique and lifestyle brand specializing in trendy womenswear. Like many retailers, Thursdays had been forced to close its brick-and-mortar stores amid the global pandemic (COVID-19). During this time, Thursdays had seen a dramatic increase in online sales. Piltz had just finished reopening Thursdays' retail storefront in Summerhill, Toronto, but was wondering what to do about Thursdays' other location in the downtown financial core.

Given the recent success of online sales, Piltz was interested in different ways to continue to boost this segment of her business. She had dabbled with the idea of influencer marketing in the past and was aware of its potential to grow online sales in the women's fashion industry. However, to devote the time and financial resources to influencer marketing, Piltz felt she would need to close her second retail location. Considering the uncertain future of the retail industry, Piltz wondered what strategy would be in the best interest for Thursdays' fiscal period ending May 31, 2021.

### COMPANY BACKGROUND

#### History

Piltz had grown up surrounded by the fashion and wholesale industry. Her mother and uncle, Rita and James Benzacar, had operated Rita Benzacar Sales Ltd., a fast-fashion wholesaler, since 1989. The company sourced and distributed women's fashion, accessories, and footwear to boutiques across Canada. Piltz had always been passionate about the industry and knew that one day she wanted to be involved in the family business.

#### Gillian Piltz

In 2013, Piltz started her undergraduate degree in philosophy at Western University in London, Ontario. In her first year of studies, she found Thursdays to be a popular day of the week for university students to shop for new weekend looks. In her second year of university, she decided to launch Shop Thursdays, a small boutique that she ran from her student apartment in downtown London. Using her relationships in the industry, Piltz sourced the clothing, and on Thursdays, friends and peers would stop by her makeshift store

to purchase clothes. After tremendous success running Thursdays out of her apartment, she decided to experiment with pop-up shops to test the retail space on a larger scale.<sup>1</sup> To do so, Piltz rented out a small storefront on Macpherson Avenue in Summerhill, Toronto. The lease was only for a few months but was another success and affirmed Piltz's desire to open a permanent retail storefront.

In the summer of 2015, Piltz was admitted into the honors business administration program at the Ivey Business School at Western University. At that time, she had just opened Thursdays' first permanent location on Yonge Street, once again in the Summerhill neighbourhood. She decided to hire an experienced store manager to run the store while she moved back to London to pursue her business degree.

By 2017, Thursdays was running effortlessly with the combined efforts of Piltz's mother, uncle, and the store manager. That same year, Piltz graduated from the Ivey Business School and accepted a full-time role as an associate in the financial services industry. Although she had learned a lot from that industry and made many professional connections, Piltz decided to follow her passion for the fashion industry by pursuing Thursdays on a full-time basis. She quit her role in finance after just nine months.

Piltz, Rita Benzacar, and James Benzacar, the three founders of Thursdays, worked together every day in Thursdays' warehouse, which was separate from its physical stores. Piltz was currently responsible for all of Thursdays' online and digital affairs, while Rita and James focused on financial matters and vendor relationships.

### **The Product Offering**

Thursdays was dedicated to bringing in new stock once every week and sourced the coolest and trendiest styles from top designers. The business used Rita and James Benzacar's industry contacts to purchase inventory at relatively low cost. Most items were priced between CA\$50 and CA\$300,<sup>2</sup> with the exception of their cashmere lounge sets, which Thursdays designed and manufactured internally (see Exhibit 1). The store featured everything from bright-coloured blazers, cashmere hoodies, simple T-shirts, and trendy denim.

Thursdays' consumer base was diverse and ranged from 20-year-old trend seekers to baby boomers looking for the coolest new styles. Regardless of age, Thursdays' customers were loyal and frequented the store regularly to check out the new stock.

### **SUMMERHILL, TORONTO**

Summerhill was a midtown neighbourhood just north of Toronto's downtown business and entertainment districts. It was home to an upscale shopping district that included specialty boutiques, coffee shops and beauty and spa services. The average household income in the neighbourhood was \$231,639.<sup>3</sup>

Thursdays' Summerhill store was its first and most successful distribution channel. It acted as Thursdays' flagship location and benefited tremendously by being a street-facing retailer on Yonge Street, one of Toronto's busiest streets.

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<sup>1</sup> A pop-up shop was a temporary retail space in an area with high foot traffic that sold merchandise to move inventory, generate awareness, or introduce new products.

<sup>2</sup> All currency amounts are in CA\$ unless otherwise specified.

<sup>3</sup> "Neighbourhood: Summerhill Toronto," Next Home, accessed May 16, 2020, <https://nexthome.ca/neighbourhoods/summerhill/582152/>.

## TRANSITIONING TO A LIFESTYLE BRAND

In November 2018, after three years of running Thursdays' Yonge Street location, Piltz decided to launch an online store. The website featured online exclusive pieces that would attract in-store shoppers to visit and browse the site. Piltz was able to design and build an in-house photo studio to easily shoot new merchandise and hired an online manager to edit, copyright, and upload all content to the website within minutes of shooting. Piltz modelled all the clothes herself.

Thursdays also began to actively engage on its Instagram page, @shopthursdays, and would feature new arrivals, restocked items, and photos of customers wearing Thursdays' merchandise. The boutique also began featuring Piltz and her mother styling the clothes and going on buying trips to source new brands. Piltz started to slowly use Instagram influencers as a means to promote the Thursdays brand.<sup>4</sup> She would gift influencers free merchandise in hopes of them sharing and promoting Thursdays to their respective followings.

Piltz was able to begin to transition the Thursdays boutique into a lifestyle brand, incorporating the use of the hashtag #everydaygirl as a symbol to embody the values, interests, and attitudes of the Thursdays consumer.<sup>5</sup> As of June 2020, the @shopthursdays Instagram account had reached more than 12,000 followers and was growing rapidly. One of Piltz's professional goals was for the Thursdays account to reach more than 20,000 followers by the end of 2020.

## THE EXCHANGE TOWER STORE

In mid-2019, Thursdays had opened its second brick-and-mortar location in the concourse level of the Exchange Tower, located in downtown Toronto's financial district. The Exchange Tower, home to the Toronto Stock Exchange, was a 36-storey corporate building that provided Toronto's financial services industry convenient access to an array of shops and services.<sup>6</sup> The tower linked to several neighbouring properties and transit via the underground PATH system, a walkway that accommodated more than 200,000 commuters, residents, and tourists each day.<sup>7</sup>

After the opening of their second location, Piltz and her co-founders began facing difficulties allocating inventory between their now three distribution channels. With no prior experience operating an online shop, Piltz struggled to find a system that would effectively transfer inventory between the two physical stores and the online store in an attempt to optimize sales.

## COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 to be a global pandemic. By the end of May 2020, nearly 5 million positive cases of COVID-19 had been confirmed worldwide, 83,000 in Canada.<sup>8</sup> The virus was spread through respiratory droplets from coughs and sneezes within a six-foot (two-metre) range.<sup>9</sup> The quickened increase in the number of Canadian cases and the ease of transmission

<sup>4</sup> Instagram influencers were Instagram users who had an established credibility and could persuade others to act based on their recommendations.

<sup>5</sup> A lifestyle brand was a company whose products and image were based on a lifestyle its consumers aspired to be part of.

<sup>6</sup> "About Us," First Canadian Place: Exchange Tower, accessed May 20, 2020, <https://myfirstcanadianplace.ca/building-info>.

<sup>7</sup> "Path—Toronto's Downtown Walkway," Toronto, accessed May 20, 2020, [www.toronto.ca/explore-enjoy/visitor-services/path-torontos-downtown-pedestrian-walkway/](http://www.toronto.ca/explore-enjoy/visitor-services/path-torontos-downtown-pedestrian-walkway/).

<sup>8</sup> "COVID-19 Coronavirus Pandemic," Worldometer, accessed May 24, 2020, [www.worldometers.info/coronavirus/](http://www.worldometers.info/coronavirus/).

<sup>9</sup> "Coronavirus Disease: Prevention and Risks," Government of Canada, accessed May 24, 2020, [www.canada.ca/en/public-health/services/diseases/2019-novel-coronavirus-infection/prevention-risks.html?utm\\_campaign=gc-hc-sc-](http://www.canada.ca/en/public-health/services/diseases/2019-novel-coronavirus-infection/prevention-risks.html?utm_campaign=gc-hc-sc-)

triggered companies across Canada to mandate work-from-home protocols to keep employees protected.<sup>10</sup> On March 24, 2020, Doug Ford, the premier of Ontario, ordered all non-essential stores and services to close down.<sup>11</sup> As such, Thursdays closed both its Yonge Street and Exchange Tower locations and resorted to its online store for all sales.

## THE CANADIAN WOMENSWEAR RETAIL INDUSTRY

Before the COVID-19 pandemic hit Canada, many high-end women's clothing stores were expected to benefit from an increase in the number of high-income households that demanded premium clothing brands.<sup>12</sup> As more Canadian women relied on online channels for their purchases, more clothing stores were expected to increase their online presence as a complement to their brick-and-mortar stores.<sup>13</sup>

The global pandemic caused the entire world's economy to shut down, dramatically increasing the Canadian unemployment rate to 13 per cent as of April 2020.<sup>14</sup> Retailers that had stayed engaged with their clients in a personalized way were able to establish a base of loyal customers who would continue to spend, even in an economic downturn.<sup>15</sup> Discounts, promotions, and other marketing incentives were expected to significantly impact consumer spending during and after the global pandemic.<sup>16</sup>

Once the Canadian economy reopened, many consumers were expected to be hesitant to physically interact after having been socially distanced for long periods of time.<sup>17</sup> To lure in these hesitant consumers, retailers would need to offer high levels of health and safety precautions. Low-cost or free delivery options for online purchases were also crucial to maintain consumer spending in the retail environment during the pandemic.<sup>18</sup>

## INFLUENCER MARKETING

Influencer marketing had quickly become one of the most important and cost-effective online marketing channels for businesses in the womenswear retail industry. A study by IZEA Canada found that 75 per cent of Canadian fashion businesses had dedicated budgets for influencer marketing, with 20 per cent having

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<sup>10</sup> Amber McGuckin, "Work-from-Home 'Revolution' Possible as Companies Adapt to Coronavirus Measures, Says HR Expert," Global News, May 7, 2020, updated May 25, 2020, accessed May 24, 2020, <https://globalnews.ca/news/6911552/work-from-home-coronavirus-office-changes/>.

<sup>11</sup> Katherine DeClerq, "Ontario Orders All Non-essential Businesses to Shut Down," CTV News, March 23, 2020, updated March 24, 2020, accessed May 24, 2020, <https://toronto.ctvnews.ca/ontario-orders-all-non-essential-businesses-to-shut-down-1.4864492>.

<sup>12</sup> "Women's Clothing Stores in Canada—Market Research Report," IBIS World, updated August 2, 2020, accessed May 24, 2020, [www.ibisworld.com/canada/market-research-reports/womens-clothing-stores-industry/](http://www.ibisworld.com/canada/market-research-reports/womens-clothing-stores-industry/).

<sup>13</sup> Ibid.

<sup>14</sup> "Canada Lost Nearly 2 Million Jobs in April amid COVID-19 Crisis: Statistics Canada," CBC News, May 8, 2020, accessed May 24, 2020, [www.cbc.ca/news/business/canada-jobs-april-1.5561001](http://www.cbc.ca/news/business/canada-jobs-april-1.5561001).

<sup>15</sup> Judy Mottl, "Building Customer Loyalty in the Post COVID-19 Retail Environment," Retail Customer Experience, May 12, 2020, accessed May 25, 2020, [www.retailcustomerexperience.com/articles/building-customer-loyalty-in-the-post-covid-19-retail-environment/](http://www.retailcustomerexperience.com/articles/building-customer-loyalty-in-the-post-covid-19-retail-environment/).

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

budgets between \$1 million and \$3 million.<sup>19</sup> Another study found that 89 per cent of marketers said that Instagram was critical to their influencer marketing strategy.<sup>20</sup>

Thirty five per cent of Canadians between the ages of 18 and 36 had purchased an item because of an influencer's endorsement.<sup>21</sup> More specifically, 86 per cent of women used social media for purchasing advice.<sup>22</sup> The average return on influencer marketing was \$6.50 for every dollar spent.<sup>23</sup>

Businesses could choose from a variety of influencer marketing strategies. One of the most popular strategies was sponsored social media content, whereby the influencer received a set of guidelines around the type of content that the business expected to be created and promoted. The influencer then created and posted content that complied with those guidelines and was rewarded in the form of either monetary compensation or discounted products.

## MOVING FORWARD

Before the pandemic began, most of Thursdays' customers were located in the Greater Toronto Area (GTA), Canada's most populous metropolitan area. As operations shifted exclusively online amid the COVID-19 outbreak, Thursdays began receiving orders from customers all over Canada, including many from the provinces of Alberta and British Columbia. Thursdays even began processing overseas orders from customers in China. This fast growth in the number of online orders had strained Thursdays' resources and led to an increase in order errors. Piltz wanted to focus more of her time on the online shop, both to minimize the order errors and to grow this promising segment's profitability.

Given the nature of the economy and the continued closure of Thursdays' Exchange Tower location, Piltz wondered whether closing this store permanently would be a strategic way to generate additional funds to put toward online advertising. If the Exchange Tower store were to close, Piltz planned to use 15 per cent of the store's annual recurring cash costs to finance partnerships with micro-influencers on Instagram (see Exhibit 2). Micro-influencers—that is, Instagram influencers who had between 1,000 and 100,000 followers—were known to have the highest engagement rates of all influencer types.<sup>24</sup>

Using the influencer budget, Piltz was willing to offer participating micro-influencers \$1,500 each to recommend Thursdays to their respective followers in the form of a sponsored post. Piltz would also provide each influencer \$150 worth of merchandise to wear when creating their posts. Additional details of the partnerships were to be determined at a later date. Piltz planned to offer this partnership opportunity only to influencers with an average of 50,000 followers. To ensure a wide geographic reach, Piltz would hand-select influencers from a variety of different cities across Canada and parts of the United States.

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<sup>19</sup> Alicja Siekierska, "Canadian Companies Are Jumping In: Inside the Rise of Influencer Marketing," Yahoo! Finance, June 18, 2019, accessed June 3, 2020, <https://ca.finance.yahoo.com/news/influencer-marketing-growing-in-canada-184127949.html>.

<sup>20</sup> "Influencer Marketing 2019 Industry Benchmarks," Media Kix, accessed June 3, 2020, <https://mediakix.com/influencer-marketing-resources/influencer-marketing-industry-statistics-survey-benchmarks/>.

<sup>21</sup> Emily Engle, "Canada Is Cracking Down on Influencer Marketing," Hypebeast, February 10, 2020, accessed June 3, 2020, <https://hypebeast.com/2020/2/canada-influencer-marketing-policy>.

<sup>22</sup> "20 Surprising Influencer Marketing Statistics," Digital Marketing Institute, October 25, 2018, accessed June 8, 2020, <https://digitalmarketinginstitute.com/en-ca/blog/20-influencer-marketing-statistics-that-will-surprise-you>.

<sup>23</sup> Ibid.

<sup>24</sup> Engagement rates were metrics that tracked how actively involved influencers' audiences were with their content.

## EXCHANGE TOWER STORE SALES

If the Exchange Tower store were to reopen for the 2021 fiscal year, it was estimated that the number of daily customers would drop significantly from the previous fiscal year, due to reduced commuter foot traffic. Piltz expected five to 10 customer orders each day the store was open in the fiscal period.

Piltz had identified that the Exchange Tower location serviced two types of shoppers. The first type was a busy professional on lunch break who was looking for a quick purchase. The second was a business professional who visited the store after work hours to take advantage of Thursdays' personal shoppers. For lunchtime shoppers, their average purchase was one shirt and one pair of pants, whereas the after-work shopper purchased, on average, one cashmere set, one dress, and one pair of pants. Piltz estimated that the Exchange Tower store would be open for 250 days in the 2021 fiscal period. Of the estimated customer purchases each day, 20 per cent would be for after-work shoppers.

## ONLINE SALES

Piltz grouped Thursdays' online customers into two types: first-time customers and return customers. To entice first-time customers to make an online purchase, a 10 per cent discount was applied at checkout. First-time orders tended to be lower in value, as customers wanted to assess the quality of the clothes before making a bigger purchase. On average, a first-time customer order comprised one shirt and one dress, while the average order from a return customer comprised one pair of pants and one non-cashmere lounge set. (Cashmere lounge sets were rarely purchased online, as consumers preferred to feel the quality of the cashmere before making a purchase.)

Piltz projected that the online store would generate between \$650,000 and \$850,000 in revenue for the 2021 fiscal year without any additional marketing. This figure would be split evenly between first-time and return customers. If the Instagram partnership opportunity was pursued, it was estimated that anywhere between 2 per cent and 4.5 per cent of all followers reached would visit Thursdays' online store. Piltz believed 2 per cent of these visitors would make a first-time purchase and 20 per cent of these first-time purchasers would make a second purchase in the 2021 fiscal period.

Thursdays incurred a flat \$7.14 fee for every online order shipped out. On orders of \$60 or less, Thursdays would charge the customer a \$10 delivery fee, down \$5 from the pre-pandemic charge of \$15. No shipping charge was passed onto the customer on orders over \$60.

## CONCLUSION

Piltz was thrilled with Thursdays' past success but was eager to work alongside her mom and uncle to continue to reach consumers across Canada and internationally. With the lease renewal date of July 1, 2020, for the Exchange Tower store, Piltz needed to come to a decision quickly. Based on the current economic environment and the unknowns surrounding the COVID-19 pandemic, Piltz hoped that whether she chose to focus on the online store with influencer marketing or maintain the Exchange Tower location, her decision would result in a profit of at least \$300,000.

**EXHIBIT 1: SHOP THURSDAYS' SELLING PRICES AND WHOLESALE COSTS BY PRODUCT TYPE  
(IN CA\$)**

<b>Item Type</b>	<b>Selling Price</b>	<b>Wholesale Cost</b>
Cashmere Lounge Set	\$670.00	\$255.00
Non-Cashmere Lounge Set	\$195.00	\$90.00
Pants	\$150.00	\$70.00
Dress	\$140.00	\$65.00
Shirt	\$90.00	\$45.00

Source: Company files.

**EXHIBIT 2: SHOP THURSDAYS' ANNUAL PROJECTED COSTS, 2021 FISCAL PERIOD**

**Exchange Tower Store**

Store Rent	\$ 78,000
Salaries and Wages	122,320
Utilities	1,440
Depreciation	1,615
Internet/Phone	1,140
Insurance	2,210
Other Tenant Fees	1,255
Point-of-Sale System	1,236
Health and Safety	1,400

**Online Store**

Online Manager	\$ 40,000
Website Hosting Fees	13,100
Insurance	2,500
Warehouse Rent	28,000

Note: Health and safety costs referred to the purchase of hand sanitizer, disposable masks, and other disinfecting products to keep shoppers protected from the spread of COVID-19.

Source: Company files.