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# WHAT'S IN STORE


## Retailing at Warp Speed

By Bryan Pope

If there's one thing retailers don't like, it's a quiet cash register. Unfortunately, during the past year the flailing economy has made sales slump, causing stores like Circuit City, Mervyn's and Linens 'n Things to shut down their registers for good. Others, such as Blockbuster, are still open for business but have been forced to scale back.

What's a retailer to do during such turbulent economic times? One idea is to think the way today's shopper thinks.

"People have a new relationship with money, and they are more mindful of how they spend it," said Neiman Marcus Vice President Gayle Tremblay, speaking at the 2009 Retailing Summit. The annual conference is sponsored by the Center for Retailing Studies, part of Texas A&M University's Mays Business School.

Tremblay oversees the upscale department store's clearance division, which includes the Last Call off-price stores, so she has had a front-line view of the recession's impact on consumer spending habits.

"Some customers are shopping in their own closets, either finding something so old it's back in again, or bringing out special pieces that are timeless," she said. "The accessory business is very strong as a result, because you can take an existing wardrobe piece, add a new pair of shoes or jewelry, and make it look new again."

Tremblay also said the average Last Call customer is focused on the relationship between quality and price.

"She is more savvy than ever before," Tremblay said. "She wants quality for the price she pays, but she is also far more patient, and she's willing to wait for the little red sales signs to go up in her favorite stores. In fact, sometimes I'm absolutely certain there are customers who are tracking our promotional calendar year after year on their Blackberries so they can predict sale events and know when they'll come up."

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Take Home Depot, for instance. CEO Frank Blake said the recession was behind his company's decision to adopt a new corporate slogan. "You can do it; we can help" became "more saving, more doing."

Still, consumers' careful approach to spending has resulted in declining sales and forced retailers to reduce their inventories and let employees go.

"Neiman Marcus as a whole has tightened and balanced our inventories, and we are minding our expenses in response to the downturn in retail sales," Tremblay said. "The clearance division is doing the same thing. It's smart management. We have made difficult decisions to support the long-term health of our company."

### Morphing Marketing

Retailers have been forced to re-examine how they spend their advertising dollars. This is no small feat thanks to a marketing environment in which new advertising avenues emerge and old ones morph practically every day.

"Never in the history of humankind have people been more bombarded, more saturated and more distracted than they are right now," said Stan Richards, founder of Dallas-based marketing firm The Richards Group. "We have helped create the cynical consumer — these buyers with attention deficit disorder. They have the power to fracture a brand as fast as we try to integrate it."

Richards, whose firm developed Chick-fil-A's "Eat Mor Chikin" campaign and resurrected Fruit of the Loom's "Fruit Guys," recalled the days when advertising was limited to a handful of television and radio stations, local newspapers, billboards and magazines.

"Advertising has become harder and harder," he said. "The talented people who came into our business just ten years ago often find themselves woefully out of touch with new media. Young kids are coming out of school speaking a completely different advertising language: ambient messages, blogs, guerrilla tactics, grass roots, global local, Tweeting."

Clients' advertising dollars, which used to be allocated to cover just a few disciplines, are now spread across many: online, newspaper, TV, radio, relationship marketing, product placement, sports sponsorships, branded content, ethnic specialization and promotion.

"All are potential and viable options for integrative brand-building," Richards said. "So we invest in all those areas. And while we're busy keeping up, staying ahead and building our capabilities and integrating our clients' messages, the audience is becoming increasingly harder to reach. Now, does all this mean that it is no longer possible to do what we do — build powerful, long-lasting brands? Have we completely surrendered control to the consumer? No. We do what we've always done as marketers: define the mission, develop the strategy and deploy the tactics."

Richards said television remains the best way to reach a large number of people at one time, despite devices such as the DVR that allow people to bypass commercials.

"It's affected us, there's no question about it," he said. "Audiences have diminished, and that whole television category has changed largely because broadcast networks have gotten weaker and weaker while cable channels have gotten stronger and stronger. But there are still hundreds of millions of people watching television and playing through commercials and paying attention to them."

However, Richards singled out the Internet as the best medium for engaging a target audience in real time. Online retail, he said, was almost nonexistent in 1995. Today, 74 percent of people have access to the Internet in their homes.

Al Meyers, senior vice president of consulting firm Retail Forward Inc., agreed with Richards' assessment of the vital role the Internet will play in the future of retail.

"Online will be our fastest-growing channel of distribution coming out of this recession," he said.

## A Generational Thing

The Internet has made it easier for consumers to research products before buying, and young shoppers have been quick to take advantage of this resource.

"My [16-year-old] son is so proud of himself," said Michael Exstein, senior retail analyst and managing director with financial services group Credit Suisse. "He goes on eBay and buys a leather jacket for $35. I said, 'Why didn't you go to Kohl's?' He goes, 'Because that's not fun, that's not discovery, that's not the process.' So there is a big, big change going on."

Exstein said today's youth do not shop the same way older generations did. They will not spend as much time in stores. They will price-compare differently, and they will get their information differently.

"The paradigm is shifting generationally," he said.

Adding a sense of fun to shopping poses yet another challenge to retailers.

James Gilmore, author of *Authenticity: What Consumers Really Want*, said retailers have to create memorable shopping experiences for people — experiences shoppers will want to return to.

"We need to be doing things that are photo-worthy," he said. "So people want to take [their cell phones] out and take a picture of the experience that's happening."

Examples of companies that have turned the simple process of buying into a "photo op" are American Girl Dolls and Build-a-Bear Workshop — a popular chain that founder Maxine Clark had trouble getting off the ground because many potential investors didn't think the concept would appeal to shoppers.

Gilmore said that sometimes old ideas can be reworked. Doug Johnson, the creator of General Growth Properties' "Santastic," did just that.

"[Johnson] reinvented Santa Claus at a mall," Gilmore said. The experience had become stale. Seeing Santa meant standing in long lines, and by the time customers got to the front of the line, kids were cranky and not at their best for a photograph. Another problem was caused by "the rise in ubiquitous digital photography. Parents have no qualms about leaning over the backs of professional photographers and not paying for photos, so the whole paradigm is broken."

Santastic gives shopping mall Santas a fresh spin by taking visitors through a series of interactive experiences, including writing a letter to Santa, mailing the letter in an oversized mailbox that blows out peppermint-scented snow when opened, stepping on a "naughty or nice" meter and, of course, meeting Santa himself.

Technology and the recession have created a new breed of shopper — one that is savvy, as Tremblay pointed out, but also demanding and finicky, with tastes and preferences that change constantly.

If retailers want to keep those cash registers singing, they'll have to change, too.

***AT THE RETAILING SUMMIT,*** *Jim "Mattress Mack" McIngvale, owner of Gallery Furniture in Houston, reflected on the arson fire that destroyed his 100,000-sf store's warehouse and $30 million worth of merchandise last May. McIngvale and his employees worked around the clock and reopened 40,000 sf of the store on the Fourth of July. "We had two choices," McIngvale said. "Give up and let the bad guys win, or stand and fight. We chose to stand and fight."*

The need to evolve along with consumers is just as critical for the real estate industry as for retail. Homebuyers, like all shoppers, are looking for better ways to find what they want. New technologies, tools and media will constantly reshape the way people buy both houses and blouses.

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### THE TAKEAWAY

In the midst of recession, a new breed of shopper is emerging. Successful retailers are having to adjust their selling strategies to keep up with savvy, cost-conscious buyers. Young shoppers in particular approach shopping in a whole new way, from researching online to expecting an "experience" instead of just a purchase. Advertising is changing constantly as technology and social media create new ways to reach target populations.

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