

Guest Commentary:

## Combat the recession with a retail renaissance

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The retail sector managed to eke out a .6% sales increase between May and June, but the news offered little solace to retailers experiencing 5%+ declines in comp-store sales vs. prior year. Ever since the recession got into full swing, retailers have tried to resurrect sales by using heavy discounts, value-oriented advertising and private-label expansion -- but none of these have consistently produced adequate results.

It's time to take a different tack. It's time to stop tinkering with tactics that generate limited impact -- and instead adopt some entirely new approaches. Retailers can turn this recession into a renaissance of sorts -- reinvigorating business by re-thinking the established tenets of retailing and exploring different ideas.

Here are three recommendations for a retail revival:

### **Skillfully use customer information**

Retailers are sitting on a virtual gold mine of customer information. Whether it be transactional purchase data or traffic analyses or salesperson conversations, customer information can be used to generate critical insights to improve product, merchandising, assortment, service, marketing, store layout, etc.

Most retailers, however, aren't currently mining their treasure. That's usually because they lack the technology and disciplined process to gather, synthesize and analyze it into meaningful insights. Those retailers that have mastered the customer-intimacy discipline (Zara and Best Buy stand out for this) have established a clear advantage and have succeeded where their rivals have failed.

With bare-to-the-bones budgets and stretched employees, it might not seem the ideal time to invest in building a customer-intimacy infrastructure -- but the need has never been more urgent. Instead of relying on sales and special offers to essentially bribe customers indiscriminately, use customer information to improve the customer experience for your most valuable customers and to develop targeted messages and tailored assortments. Customer information can serve as a sustained platform for innovation and growth.

### **Offer value-added services**

Given the open access of today's market, it's not enough for retailers to rely on their product mix alone to drive business. To open up new revenue streams, retailers can take advantage of their unique capability for offering value-added services.

Added-value services generate incremental traffic, initiate sales opportunities, produce higher margins -- and most importantly, differentiate the retailer. Retailers such as REI, Sport Chalet and Apple use equipment rentals, tennis-racket stringing and help desks, respectively, to deliver extraordinary customer experiences and boost their brands.

Selling services requires a different mentality and in some cases a new business model. Unlike when you're simply adding new SKUs, a fresh look at profit margins, labor, promotion, etc., is required. Thinking and acting like a service provider instead of a product pusher is the kind of wholesale change retail needs right now.

### **Develop new store formats**

Operating out of different store formats enables retailers to appeal to more shopper "need-states." (A need-state is defined by a group of consumers who seek similar product benefits and attributes in a particular usage occasion.)

Typically, need-states have been used by manufacturers to drive product development, but now is the time for retailers to get into the game. Appealing to more need-states gives existing customers more options and reaches new customers who previously hadn't found the brand relevant or convenient.

For example, Petco has introduced Unleashed, a store format with a smaller footprint, located in high-traffic locations. By emphasizing its neighborhood community, Unleashed is perfect for the pet parent who is already passing by the store and needs to drop in for a quick purchase or some friendly advice. These consumers may be the same ones who troll the aisles of

the retailer's regular stores to stock up on supplies on weekends, but with the new format, Petco has appealed to a new need-state.

Different formats are also effective at emphasizing select brand attributes (e.g., Best Buy Mobile shores up the brand's credentials with wide selection and knowledgeable staff), reinvigorating the brand image (e.g., Unleashed helps update and improve Petco's brand image with its urban contemporary feel), and opening the brand to new opportunities (e.g., Baskin Robbins' is using new formats to get into upper-scale malls and downtown locations).

For those that are used to simply running coupons to stimulate sales, developing a new store format(s) may seem like a Herculean task -- especially when you're trying to keep costs down. But given the range of significant benefits delivered by different store formats, the results often more than offset the increased operating costs of doing so.

### **Ripe for a renaissance**

One of the triggers of the cultural Renaissance of the 14th century was the devastation caused by the Black Death plague. The journey out of despair led leaders of that time to look at life anew. While the current state of retail is nowhere near such a disaster, it's clear that doing business as usual is no longer an option.

It's time for a retail renaissance.

*Denise Lee Yohn is an independent brand as business™ consulting partner who has worked with clients such as Jack in the Box, Road Runner Sports and Jamba Juice to operationalize their brands to grow their businesses. Read more at <http://www.deniseleeyohn.com/resources.html>.*