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The Big Story

Not in Kansas Anymore

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Oh my! The business of retail has certainly changed, hasn't it?! It seems a tornado of technology has landed us in a place that seems strangely familiar but so fantastical it could only be a dream.

The folks at the National Retail Federation offered up glimpses of the totally new world we operate in at their Retail Innovation & Marketing Conference, INNOVATE 2011. Held last month in San Francisco, the gathering attracted senior leaders from Amazon, Best Buy, Urban Outfitters, and beyond.

As the conference speakers unveiled new statistics and recounted fresh case studies, it became clear every dimension of retail is undergoing a complete transformation. The following describes just seven of these changes:

1. **Retail is no longer a location; it's an experience** – Retailers have been talking about the importance of experience for years, but it's always been in the context of the in-store experience or the online experience or the service experience or some other way in which "experience" is tied to a point in time and space. What's different now is retail is everywhere, anywhere, anytime, in no time. Thanks to digital technology, shopping is no longer a discrete activity. Shopping happens. (How's that for a new bumper sticker?!)

2. **Value isn't created by purchase; it's created from access** – In a world where practically every product you could ever want is available on Amazon and you can get virtually every movie you could ever be interested in through Netflix, retailers no longer make money by helping people buy things. Their value is in helping people find and access them. So retailing is less about selling things and more about curating collections, making recommendations, and helping people navigate to the best selection for them.

3. **Customers no longer want to own; they want to subscribe** – People have grown accustomed to having everything they want at their fingertips, so owning a bunch of stuff isn't as important as being able to use it whenever they want. And with endless choices and new options always emerging, sampling has become more desirable than acquiring. Business models in which customers can join clubs or buy subscriptions in order to access content or experiences, rent products, or replenish smaller quantities fit customers' new sensibility.

4. **Stores aren't just categorized by product type; experience type matters too** – The lines that once clearly differentiated stores have become blurred: Drug stores now sell fresh produce; book sales at apparel retailers are on the rise; restaurants are a popular new store amenity. So shoppers now organize their store options in terms of the experiences they want to have – price driven or great atmosphere or an efficient errand or easy transaction. This changes who your competition is and how you differentiate your brand from them.

5. **A purchase isn't just a transaction; it's a communication** – With cashless payments, emailed receipts, and subscription purchases (see #3 above), the retail check-out process has become more than a one-time transaction. When they pay, customers now give retailers the ability to access personal information and to engage in ongoing communication, both of which can be used to foster valuable customer relationships.

6. **Mobile phones aren't simply devices for talking; they're the Swiss Army knives of sales enablement** – Armed with a single smartphone, a person can look-up locations, prices, availability, and product information; they can talk, text, email, surf the Internet, play games, take pictures and video, listen to audio, and

Retail Forward

WWD

National Jeweler

JCK

Rapaport Diamonds

This Week In Consumer Electronics (TWICE)

Apparel Magazine

Footwear News

Retail Week

Retailing Today

Chain Store Age

Catalogue Age

Retail Net

watch videos; they can scan barcodes, post reviews, share experiences, receive coupons. Customers now have a device that they paid for themselves and which they have with them at all times. Through it, retailers can do hundreds of things that make shopping easier, faster, better, more fun, and social – it's the ultimate sales enablement tool.

7. **Facebook isn't just a social networking site; it's a platform for commerce** – You've heard of e-commerce and m-commerce, but what about F-commerce – Facebook commerce?! Facebook pages are the new websites. Facebook "likes" are the new email addresses. Facebook friends are the new prospect pool. Facebook "favorites" are the new recommendation engine. Facebook credits are the new currency. And Mark Zuckerberg is only getting started. It's time to view Facebook for what it really is – an integral part of business today.

These seven new dimensions paint a vivid picture of our new reality. There is no yellow brick road and there is no going back home. But it's clear -- we're not in Kansas anymore.

Denise Lee Yohn has been inspiring and teaching companies how to operationalize their brands and grow their businesses for over 20 years. Leading brands such as Sony, Frito-Lay, Brookstone, and Jack In the Box have engaged Denise, an established speaker, author, and consulting partner. Contact Denise. Read more.

Apparel/Swimwear/Intimates

Hot Topic Plans Restructuring

Teen clothing and accessories retailer Hot Topic Inc. announced plans to discontinue some operations as part of its turnaround plan. The company said in a regulatory filing that it's ending its online music store ShockHound.com and writing down unproductive inventory and fixed assets "that are no longer critical to the strategic direction of the company." Hot Topic also said it will discontinue reporting monthly sales as of the third quarter of this fiscal year. The company also announced that Chief Merchandising Officer Amy Kocourek has left the company. Board member Lisa Harper, who took over as chief executive last week after Betsy McLaughlin resigned, will now also oversee merchandising. Hot Topic said the moves, including severance costs related to recent changes in management, will result in a pre-tax charge of about $15 million, or 21 cents per diluted share, for the fiscal first quarter ending April 30. Excluding those charges, the company will report a loss between 1 cent and 4 cents per share for the quarter.

Orchard Brands' Unit Lines Up Better Exit Financing with PNC

A unit of Golden Gate Capital Corp.'s Orchard Brands has obtained a commitment from PNC Bank NA for an alternative $90 million loan to finance its exit from bankruptcy. The company, Appleseed's Intermediate Holdings LLC, will seek court permission to enter into the new loan agreement, which provides the clothing retailer with $10 million in additional funds, at a hearing. Orchard Brands, which didn't file for bankruptcy, sells clothing and home products targeted toward women and men aged 55 and older, under 17 brands such as Gold Violin, Haband and Appleseed's, court papers show. The company, based in Beverly, Massachusetts, listed as much $1 billion in debt and as much as $500 million in assets in Chapter 11 documents. The company has about $725 million in funded debt.

Appeals Court Rules Talbots Licensing Arrangement a Sham

Talbots Inc. suffered a legal loss when the state Appeals Court ruled that the company inappropriately used a subsidiary solely as a tax avoidance vehicle. The Appeals Court decision upheld a state Appellate Tax Board ruling, which in turn affirmed a state revenue commissioner's decision to adjust Talbots' taxable income for 1994 through 2001. The central issue in this case involved a subsidiary that the Hingham-based apparel retailer established in 1993 as Jusco – its Japanese parent company at the time – was preparing to sell shares in Talbots in an initial public offering. The subsidiary, The Chicago Classics Inc., acquired Talbots' trademarks and other intellectual property from Jusco. TCC had a business office in Chicago, but it had no employees. Talbots regularly made royalty payments to TCC, payments that were essentially TCC's only source of revenue. TCC also repaid nearly all of the royalty payments that Talbots made. After Department of Revenue officials discovered this, they disallowed deductions that Talbots claimed for the royalties it paid to TCC and the state agency reattributed to Talbots the royalty and interest income earned by TCC from 1994 through 2001. The Appellate Tax Board agreed with this interpretation that the licensing agreement between Talbots and TCC was a sham transaction.

American Apparel in New Bankruptcy Warning

The US clothing chain American Apparel has said that there is "substantial doubt" the firm can continue as a going concern. But although the wording appeared in its financial statement for the fourth quarter, the