

Megastores Want to Be Like Mom-and-Pop Shops... Sort Of

by Denise Lee Yohn | 1:00 PM October 24, 2013

You'd be forgiven for wondering if you're in the right place the next time you walk into a Whole Foods and see hand-written signs, locally-sourced food, and posters promoting a community fundraiser. Whole Foods and other progressive retailers like Starbucks and Lululemon Athletica are increasingly shedding their national standards and conventions to achieve a more local brand image. Even Walmart, which has epitomized national retailing for so many years, is starting to re-think its chain mentality and now places buyers in the field so they can work closely with local farmers. In the words of its executive vice-president and chief merchandising and marketing officer, "This is really the year of localization."

These chains seem intent on undoing what national brands have worked so hard to achieve in the nearly 100 years that have passed since the first retail chains were established: consistency of product, brand image, and experience. Chains have grown and thrived because consumers have valued their promise of reliability and familiarity. McDonald's remains the leading fast food brand in large part because people know what they will get, how they will get it, and how they will feel whenever they visit any of the company's units.

But independent stores enjoy some important advantages. Now that a baseline of quality at most establishments has been set, value is derived less from consistency and dependability and more from other factors like convenience and local appeal. The infiltration of technology into every part of our lives has made many people seek out personal, low-tech/high-touch experiences and relationships with the companies they patronize. At the same time, connective consumer technologies, sophisticated customer profiling, and targeted predictive modeling have made it easier and less expensive for companies to advertise and connect with customers locally. Independent stores have capitalized on all of these changes.

To protect their advantage, forward-thinking national chains are combining their brand recognition and market penetration with a local approach. But at a global multi-billion dollar chain, that takes more than just sending out an email asking staff to emphasize their local roots. It takes organizational, cultural, and operational changes.

Empowering store managers is the most critical shift. Starbucks CEO Howard Schultz makes it clear to store managers they are responsible for what takes place in their stores. "Howard Schultz is not going to serve any customers — it's you," is what I tell employees," he says.

Decentralizing the procurement model and process is another key step, from establishing and enforcing quality standards across a distributed workforce to adjusting accounting and logistics systems to work with smaller suppliers. The goal at Whole Foods is to source 20% of its products from local producers, so the chain's local "foragers" are tasked with scouring area farms, farmers markets, wholesalers/distributors, and mom and pop shops to curate a product assortment that feeds shoppers' desires for discovery and authenticity. They often also help their sources to scale production and loan them the capital to do so.

There are other operational considerations. Instead of having one national menu that it can print and publish at scale, Smashburger has to create multiple versions because the chain teams with craft breweries in some markets to offer market-specific beer and burger pairings and tailors the barbecue sauce on its burgers to match local tastes.

Company executives are willing to incur the additional costs and complexities because the company's mission is "to celebrate what local people really want to see as interesting ways to think about burgers," Founder Tom Ryan explains.

Local store marketing has always played an important role in retail promotion, but in the new indie-inspired model, it becomes the lead strategy. Marketing with a local flair involves advertising through outdoor, mobile, and local media, engaging in local events and supporting local groups, and using local references in messaging and product naming.

Inside the store, chalkboards and window painting replace permanent, standard-issue signs. Instead of using traditional customer acquisition tactics, stores rely on becoming community centers by hosting tastings and other special events highlighting local sources.

Rather than one person or centralized team managing brand communication through social channels, responsibility for communicating on a store-level is held at each store. The best practice is to use Twitter handles, Facebook pages, and Pinterest boards for each location. These channels connect local shoppers with topics relevant to the community and to the specific store, in addition to supporting system-wide marketing efforts.

For instance, local marketing at Lululemon Athletica is executed through its brand ambassador program. Local fitness instructors receive the brand's merchandise, give free classes at its stores, and are featured on large posters on store walls in exchange for providing feedback on the products and spreading the word about Lululemon.

Rejecting mass advertising and favoring social media is part of what the company's senior vice president of brand and community, Laura Klauberg, call its "hyper-local innovative approach" to building its brand.

It's too early to say whether or not this new movement really works. Most people will probably always retain a fondness for their local mom and pop shop. But by embracing new ways to forge customer bonds while emphasizing consistency and reliability, perhaps national chains can have it both ways.