RTG Newsletter

Published quarterly by The Retail Technology Group
August, 2004

FROM THE PRINCIPAL'S OFFICE

This issue's feature article is an incisive assessment and solution to a problem that retailers face on a daily basis of late. Sameness! Rory Fane-Hervey is a guest contributor and he has done a very good job of identifying a problem and the opportunity for many retailers. He is Vice President of Sales for Visual Retailing LLC, a company that markets a software product with multiple applications, primarily targeted at the apparel retailer. We thank Rory for his worthwhile contribution.

Bob Amster
Principal

CONCEPT TO CONSUMER — MEETING A CHALLENGE
BY RORY FANE-HERVEY

"Retailers and brand manufacturers remain under fire from a host of critics who accuse them of drowning consumers in a sea of product sameness and choking store shelves with uninspired fashions".

The last few years have indeed been very tough for the apparel sector with the 'Wal*Mart effect' causing relentless price deflation which, when coupled with rising labor costs and little market growth, has meant an almost exclusive focus on reducing overheads and improving efficiencies.

For the most part, this focus appears to have caused the industry to lose touch with its fundamental task of exciting consumers and generating top line sales growth. If the efficiency card is almost played out, the focus must now return to generating sales at full price.

Against such a background specialty retailers will have to reinvent existing concepts and invent new concepts at an ever-increasing pace. This will require disciplined inventory management and flow merchandising that keeps fashion fresh and current so that the proposition to the consumer is constantly new and compelling. This will in turn require flexible organizational structures and processes supported by innovative software tools that are able to improve communication, productivity and innovation.

RTG Newsletter

Specialty retailers looking to differentiate against the mass retailers will no longer be able to rely on store merchandise refresh rates of twice a season or monthly. Best practice is moving increasingly to every two weeks or even weekly. Nor for that matter is merchandise refreshing on its own sufficient, it must rather be accompanied by constant re-modeling, with constant fixture and graphics enhancement. Continually exciting the customer by keeping the stores fresh is the strategy today. Adoption of such a strategy strengthens customer relationships. This in turn is reflected in consistent and solid increases in comparable store sales.

The store is now becoming the most reliable and effective means to communicate the brand's values and to attract and retain the customer, a powerful 3D advertisement. Leveraging the brand image at the point of customer interaction is now more essential than ever before to differentiate and, therefore, compete effectively.

From annual reports and conversations with executives in the apparel retail sector, a constant **theme** emerges. This theme always starts with "a challenging environment" (or words to a similar effect - "turbulent times", "limited growth opportunities", "over traded marketplace", etc.) but ends with a positive conviction that business opportunities exist and preparation for improvements are underway.

There are many reasons given for the "challenging times" a few of which are highlighted below:

- An uncertain business environment with global crises (Iraq, terrorism, North Korea, Iran, Middle East) and international issues (off shore manufacturing, out sourcing, end of quota restrictions) giving rise to domestic uncertainties on unemployment rates, interest rates, currencies, equities, oil price and business and consumer sentiment.
- Growth in sales is forecast to be only 2% to 5% over the next few years
- All retailers will continue to experience the pressure of price deflation, particularly as Wal*Mart and Target improve their soft goods offerings and as department stores continue to foster an extremely promotional climate in an attempt to retain customers

RTG Newsletter

- Today the power resides with the consumer who is more fickle, more price and value conscious than ever before, for whom price comparison is now made easy via the Internet and who is trained to wait for and respond to 'sales'.

- Apparel's share of this consumer's total retail spend will continue to face serious competition from other sectors like electronics, home improvement and leisure

- Customer loyalty will be increasingly hard to earn. The customer is now being continuously bombarded with impossible quantities of marketing and promotional material from an ever-increasing number of channels (television, radio, magazines, newspapers, catalogues, flyers, internet, etc.) and an ever-increasing number of brands.

- Competition from both domestic and, increasingly, overseas retailers will continue unabated with new store openings no longer designed to capitalize on new markets but rather to cannibalize existing markets

- The pace at which retail concepts progress through the "retail life cycle" will continue to accelerate so that competitive advantage is even shorter lived and new concepts will reach maturity far more quickly.

Overall there is one overriding conclusion: that competing on a low cost/low price business model is no longer a viable option for the majority of operations. To compete against the Wal*Marts of the world, it will be essential to add real value and differentiation, offer compelling merchandise selections, superior presentation, engage in distinctive target marketing and deliver customer service levels that delight.

It is no wonder then that the "**theme**" always ends on a positive note because these values are what has driven the apparel retail sector historically and in which most organizations have proven skills on which to call to deliver these attributes; innovative designers, imaginative marketing departments, creative visual merchandisers etc.

However, does this mean that nothing has changed and success will be delivered, almost automatically, without effecting any changes that take into account consideration of the "challenges" outlined above?

RTG Newsletter

Retail business processes in the apparel sector have been in place, tried and tested for many years. However, are there opportunities now, enhanced by the availability of new technologies (at affordable prices) that offer organizations the opportunity to rethink these processes in the goal to deliver even more compelling offerings with superior presentation to more targeted customers supported by even more compelling marketing material?

The "concept to consumer" business processes (in most organizations) appear to operate, currently, in almost a "silo" format, where the output from one silo becomes the input to another in a very serial manner. This can and often does lead to conflict where the range put together by the designers/buyers ends up not meeting the numbers put together by the merchandisers/planners. This situation can then end up getting even worse when the visual merchandise department is presented right at the end of the process with a "done deal" which neither fits with the capacity of the stores nor with the actual fixturing available and lacks the visual cohesion to deliver a truly differentiated and compelling offer.

What is more the "allocation" of product to stores can then conflict with the carefully designed visual layout created by the visual merchandising department because store operations have to put the delivered garments somewhere, "*choking store shelves*". Is it possible that the very power of spreadsheets to create numerically 'perfect' plans leads to significant 'overstocks' and 'understocks' giving the industry a mark down/lost sales bill which amounted to some $200 billion last year?

In order for the business processes that support the "concept to consumer" life cycle to work in concert rather than conflict, the skill sets involved (both creative and numeric) require to be able to communicate in a collaborative manner. If technology can provide a tool set to support and enhance such communication there is real potential that collaboratively the designers/buyers, the merchandisers/planners, the marketers, the visual merchandisers and the inventory control personnel can produce a compelling offer that not only meets the corporate goals but also and more importantly excites and delights the target customer.

RTG Newsletter

Published quarterly by The Retail Technology Group
August, 2004

WHAT'S NEW

Visit our Web site!

You can read about us at www.RetailTechnologyGroup.com.

Interesting Findings

Study: If You Serve Them, They Will Buy 18-Aug-04

Consumers are willing to listen to sales pitches from customer-service representatives, but only after the customers, problems have been solved and if the representatives are sensitive to their needs.

A new survey by The Forum Corp. indicates that when customer-service reps pay better attention to basic customer concerns, sales follow. The study found that while 73% of consumers are interested in learning about new products or services that a company is promoting, many resist reps with annoying behaviors, such as selling from a script, pushing products that aren't useful to consumers, and/or continuing to push a sale after consumers have indicated they are not interested.

"The message is: Serve well, then sell", says Tom Atkinson, director of research for The Forum Corp. "Consumer-goods companies have a huge opportunity to boost sales by training their customer-service reps to cross-sell effectively, but they have to pay attention to the basics first. Customers who are pleased with their purchases and feel they have been served well are much more open to buying additional products and services."

Forum discovered that consumers are most likely to buy when the customer-service rep exhibits the following three behaviors: focusing on the customer,s needs vs. pushing a product; solving the customer,s problem before talking about additional products and services; and describing how the products or services would benefit the customer.

According to Forum, consumers wish that customer-service reps spoke more clearly and slowly; respected their time and right to say "no"; and gave them advice that helps them save money or better meet their needs.

RTG Newsletter

Specialty & Gift Items Retailer

We are pleased to announce that RTG was selected to conduct a POS software evaluation and selection project for a major Northeast retailer of specialty and gift items. The project will include an ROI analysis and the eventual software selection.

Major POS Solution Provider

RTG is pleased to have been selected by a major POS software developer to review and assess the product offering, and develop specifications for functional improvements. We will provide expertise across all areas of store-systems functionality.

The Retail Technology Group:
www.retailtechnologygroup.com
is located at:
761 Rock Rimmon Road
Stamford, CT 06903-1216
Telephone 203 329-2621
bamster@retailtechgroup.com