The Center for Retailing’s annual Retailing Smarter symposium presented an all-star cast of speakers April 15th and 16th in Orlando.

Arthur Martinez, Chairman and CEO of Sears, spoke about the transformation of Sears, an American retailing icon. The President of Federated Department Stores, Terry Lundgren, presented his insights into the future of retailing and, in particular, of department stores, Len Riggio, the Chairman and CEO of Barnes & Noble spoke about what makes Barnes & Noble what it is, and how it grew from a single store to the dominant retailer it is today.

Private brands are a hot topic, and the President of Brand Development at J.C. Penney, Ray Pierce, gave his views on their roles now and in the future. Two presenters focused on e-retailing, Robert Langer, Director of Dell Online, one of the few retailers that actually makes a profit on Web selling, and Joshua Glantz, from Rare Medium, a leading e-commerce strategic consulting firm.

Customer service remains an opportunity and a challenge to retailers, and attendees were treated to a presentation from one of retailing’s best at serving customers: Elizabeth Barrett of The Container Store. Carole Souvenir and Charlie Bresler, of Men’s Wearhouse spoke about their innovative human resources practices, and the President and CEO of Footaction USA, Ralph Parks gave an entrepreneurial slant to “The Four P’s of Retailing.”

Attendees participated in luncheon roundtables headed by industry experts. It was a chance to have questions answered and to trade ideas and experience. The attendees also enjoyed an opportunity for informal networking and idea swapping at the annual reception. As usual, some attendees took advantage of the symposium’s Orlando location to bring their families for visits to the various theme parks and attractions that make Orlando a fun place to visit.

Next year’s symposium, Retailing Smarter 2000, is already being planned for next June. We will let you know as soon as the dates are finalized. It will be an opportunity you don’t want to miss.
According to J. Raymond Pierce, JCPenney President of Brand Development, you may think JCPenney is a tired old retailer but you would be wrong! JCPenney is “alive and kickin’!” In fact, Pierce says you would be hard pressed to find an American shopper who did not know the JCPenney name. JCPenney consists of four distinct businesses that add up to $31 billion in sales. They are the JCPenney department stores and catalog, the Eckerd Drug Store chain, the direct marketing services; and JCPenney international is also growing to be an important component, as well.

The company has come a long way from James Cash Penney’s original Golden Rule. The company will be celebrating their 100th anniversary in 2002. JCPenney has gone from 100% private label to 34 private labels, 8 power brands, and then of course national brands such as Levi’s Strauss. Today, JCPenney is pushing the private labels aside and bringing in the JCPenney private brands. With the private brands, JCPenney can commission suppliers to make the clothing from the ground up. The JCPenney brands call for higher profit margins with popular brands such as the successful Arizona Jean Company, Delicates and St. John’s Bay.

The Delicates line customer can be young or old but whatever her age her lifestyle is driven by fashion, timeliness and feminine appeal. JCPenney is launching three campaigns to promote this line—the Underpaints, Floralace, and the Diva. Delicates also has a complete line of Spa Apparel and accessories that appeal to the younger JCPenney shopper.

Another rapidly growing and successful private brand is St. John’s Bay relaxed weekend wear. This clothing puts you in the “weekend state of mind.” You may remember the two old men in the old commercials, but the new commercials bring with them a new target market. Now, “Pockets of Freedom in your State of Mind” targets the younger consumer.

JCPenney takes pride in its private brands and is not just slapping labels. While JCPenney still carries national brands they also carry exclusive brands such as Crazy Horse by Liz Claiborne and Jones Wear by Jones of New York. The strategy of JCPenney for the future is to determine a point of difference. The compelling reason to shop JCPenney is the private brands.
Arthur Martinez, Chairman and CEO of Sears, Roebuck and Co. had an eager auditorium awaiting his Friday morning presentation. He began with his arrival to the company in 1992 when Sears was experiencing depressed stock price, market share and morale. Martinez’s first project was to guide Sears into developing a powerful strategy that would change the company by focusing on making Sears an exciting place to shop, work and invest. Sears experienced productive change, but was later confronted with the realization that it may either be growing or it may already be a mature company experiencing a growth spurt that may soon stall. How can Sears be sure that it is growing? Martinez claimed that a company’s growth vision should extend beyond its performance. It must do better, but it must be different as well. “Courage and innovation… not just improvement. The strategy is to be different AND better to generate the degree of value growth correspondent with the customer’s evolving expectations.”

Mr. Martinez discussed strategies for avoiding stall points. He emphasized continuous reinvention by developing a strategy that got Sears to where it is today may not work as well in the future and to be willing to abandon successful ideas even while they are still working!

His strategy to avoiding stall points is the need to re-examine the core principles of the organization. After re-evaluation the strategies developed in 1993, it was learned that although Sears’ priorities were still relevant to the business, they weren’t relevant or meaningful to the associates. Sears had to review the initial strategies to update and clarify their meaning as a foundation for a “Second Revolution”.

The first priority of the Second Revolution was to focus business where Sears can win by winning with the customers. Give them the leverage, redefine value as understood by the customer, develop specific customer acquisition & retention goals, to be relevant to the customer and finally, be innovative which Martinez claims will create a winning focus.

The second priority is to make Sears a compelling place to shop which includes making the most of technology (the Internet) as well as the physical store.

The third priority is to achieve a local market focus by shifting from mass market to targeted. Martinez shared that Sears has an “unfair” advantage as to the depth of knowledge they have about their customers as they have the richest data base of any other retailer.

The fourth priority is cost and asset productivity. A focus is to make assets (real and human) work efficiently as asset productivity is a facilitator for shareholder value.

Finally, the fifth priority is to build a winning culture because winning results define a winning moral. “Winners”, Martinez says, “…enjoy the energy, spontaneity and associate engagement that Sears must absolutely have.” This culture includes the collective thinking of its associate by listening to their ideas and encouraging their thoughts and questions; stabilizing turnover; and mirroring the population Sears serves.

Martinez offered practical and insightful advice for other businesses as a result of this transformation journey with Sears. It included developing a passion for the customer and keeping your vision simple. He said that engaging people in the business is crucial because the greatest potential for differentiating Sears from the competition is the associates. Get decision-making as close as possible to the customer and foster a spirit of innovation for the organization. Martinez said it is important to learn from mistakes, but more important to learn from successes - recreate the environment where success can be replicated. He commented on the value of unleashing the power of the associates into the community by promoting volunteerism - a huge morale booster. Finally, Martinez encouraged a culture that allows for the admission of failure and facilitates communication. ≥
Reflections on the Future of the Department Store
by Ashley Rozier

Terry Lundgren, President and Chief Merchandising Officer of Federated Department Stores, Inc. since May 1997, described the department store business as a tough business that is very competitive. He referred to a quote from Yogi bear “The future is all about what is yet to come,” and said we need to be moving forward, ready and willing to embrace change. He described his “real” boss as a 45-year-old woman, living in the city or suburbs, with a career, social life, and a love for shopping in a convenient place. This average consumer wants quality, service (but not annoying), unique products, and value at every price point. Mr. Lundgren stated “my boss makes me sweat every single day,” and this is because it is imperative to keep the boss happy. Federated has been successful in doing this through changes in their efficiency, branding, store name-plate branding, and direct to consumer retailing.

Federated has improved their efficiencies by restructuring their back-of-house operations, including changes to their credit, logistics, and distributions to cater to the consumer. In terms of branding, maximizing their status brands is their number one priority. Next is to build their private brands just like the status brands to get customers to believe they are equally important. This strategy is leading their way to success. He believes we should step outside of the box and go where the best designers have gone and taught us. Store name-plate branding is a new approach Federated is beginning to take by connecting the store name directly to their products. For example, BONMACHE’ emphasizes BON meaning good life. And lastly, direct to consumer approaches are derived through catalogue sales and the growing Internet sales.

In reinventing the department stores we want to affect the new generation of customers. This is achieved through experimenting with new ideas, changes in design, service, incentives for our employees, motivation, and how we market to our consumer. “If we don’t continuously look into the future we will get passed by.” This is an exciting time for those retailers who are looking to make these changes.

E-Commerce: Retailing on the Web
by Ashley Rozier

The reason companies don’t succeed on the web is because they don’t do it intelligently, according to Joshua Glantz of Rare Medium, a full service Internet solutions provider...You must go through the process of methodology exploration, to ideation, to creation (on the Internet), to evolution, and then start the whole process over again. Using the Internet allows you to get things out as soon as possible using the whole world as a focus group. This infrastructure includes the front-end, backend, hosting, fulfillment and customer service, and management extranet. The front-end is like the front of your store, you want to persuade your customer to come in and keep them there. The backend is your database marketing, inventory, and tracking your customers to make sure they have full access 24-hours a day. This must be robust and stable. Hosting includes your hardware, where everything sits, which includes making sure the amount of customers does not slow the process. Fulfillment and customer service includes satisfying the customer’s needs, and management extranet is having the company’s information accessible to view by the clients. Integration of this system is vital to the success in the management...
At this year’s symposium, Robert Langer, the Director of Dell Online gave a talk on maintaining and building customer loyalty via the web. Langer pointed out the different concepts that Dell has implemented when dealing with the online world. He pointed out how one can go from the traditional brick and mortar environment to cyber space. He stated how important it is to make electronic commerce a key delivery vehicle not the enemy. First, one has to establish brand equity. Since the Internet presents a very unique medium, it is essential to obtain the customers focus then attaining the customer’s loyalty thus establishing brand equity. Finally, brand equity will lead into an increased market share. In order to make the Internet work for you, one must remember to treat it as a virtual store, simple, get what you want, move on. Do not just digitize your brochures. With a website, one has to view it from the otherside, consumer to retailer. One of the most important ways to attain this is to keep your customer feedback. It will add value to your website. When visiting your site, the consumer has made a conscious effort to get there whether it is obtaining a babysitter to battling traffic. But via the web, all they have to do to get there or just as easily to leave is to just click. What Dell has done to keep its audience is to focus not around its product, but its customer. One had to instill a sort of customer ownership and accountability. Dell has set-up its website to include information that pertains to the customer's particular needs. Their three major categories are: large to midsize companies, government and education, and the small business and consumer. Under each of these categories you can find information sharing, reports, specifications, newsletters to Internet commerce: order status, quotes online, customized pricing, to service and support: file library, bug fixes, discussion forums.

As for making the web work for any company, one has to encourage it as the first point of reference. Keeping in mind that 100% of customers will not gravitate to a new environment and instantly take advantage of it can do this. There will be times when you will need to coach a customer through your pages. This can be facilitated by keeping the information constant, highly deployable and aligned with customer readiness, and always engage the sales force. By keeping your information constant, you are helping the consumer to get used to seeing information in a certain way. Keeping your online information updated at all times will make it easier for the consumer to visit you online first. Therefore allowing you to get more coverage. By engaging your sales force and not competing with them, you will be able to stay in contact with the people that have face to face contact with your customers. Also, lead with an Internet team, not marketing or IT. Always keep in mind when developing your web page three major facts: acquisition, development, and retention. Open your information sources, provide access to intelligent databases this way you can obtain the attention of your audience. Then you can start to develop your customer relationship with problem resolution. This building of trust will eventually lead to retention. Mapping out all these specifics to your customer’s business process and suiting it to your own version will lead to Internet success. Make your customer want to reach for their keyboard not their telephone. As Langer put it the worst thing to be is, “idea reach…resource poor.”

Dell now has over 30% of its orders placed online, compared to less than 10% nine months ago. At the end of the last fiscal period, Dell made over $18 billion in revenue and they have 25 million web visits per quarter. Leading them to attain a full inventory turn every six days. Visit Dell at www.dell.com.
Fostering a Company Culture of Customer Service

Elizabeth Barrett is Vice President of Operations for The Container Store. The company was founded in Dallas, Texas in 1978 by Garrett Boone, Kip Tindell and John Mullen, with the first store only 1600 square feet in size.

A storage and organization specialty store, the products that they sell provide the customer with peace of mind, and a simplified life! Today, the company has 19 stores nation-wide, averaging 25,000 square feet. The company is expanding at a rate of 2 to 4 stores a year. The next store is scheduled to open in Miami in November of this year.

When discussing “fostering a culture of customer contact,” Ms. Barrett points to the company’s relentless dedication to hiring fabulous people as being at the heart of their success. Relishing less than 15% turnover, unheard of in the retail industry, the company lives by the philosophy of “one great person equals three good people”;

The Container Stores is able to attract and retain individuals not necessarily even considering a career in retail, and many of their salespeople were customers first!

The company also offers “Mom and Dad shifts”, in order to attract their target customer as an employee. To make this successful, there is flexibility in the schedules to allow for carpool and family obligations. Often, these prime time (part time) employees become full time later on, and many are now store managers!

Expert salespeople are educated on every product, with 185 hours of training in their first year with the company. Each salesperson is trained to design closet solutions while the customer waits. As a result of this training, the service that a customer receives at The Container Store is simply the best in the industry.

"One great person equals three good people."

“A storage and organization specialty store, the products that they sell provide the customer with peace of mind, and a simplified life!”

RARE MEDIUM, from page 4

The partners he recommended included 1) National Catalog, 2) Priority Fulfillment Services, 3) USCO, and 4) Fingerhut (now owned by Federated).

Rare Medium was asked to conduct a case study for shop.microsoft.com. Rare Medium presented them with NITRO (New Interactive Technology for Reselling Online). They used this to become a very successful web page. Stage one of NITRO included a shopping basket on the first page and drop menus on the first page to reduce waiting time. This was launched in March 1999. The future of e-commerce includes an e-wallet that connects with a third party and pre-paid cards for the Internet.

Joshua Glantz encourages companies to have an e-commerce team, rather than attaching it to the marketing team or any other team. The Internet changes every three months and web pages change on a daily basis so it is crucial to keep up.

“The Center for Retailing Education and Research would like to thank the following companies for their generous support in sponsoring Retailing Smarter '99

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Ralph Parks is the CEO and President of FootAction USA. It has 550 mall based stores in 45 states. The first store opened in 1976 in Wichita Falls, Texas. It specializes in high quality brand name activewear. Their products typically attract 12 to 24 year olds.

Parks gives advise that he has acquired in his 30 years in the business. He tells of the four P’s of Retailing. They are People, Product, Presentation, and Pride.

Parks asked the retailers, “Who in this room did everything on their own and got to where they are now”? No one raised their hand. He continued to say that without people, you cannot obtain success. Serving the public and becoming a servant of the public should be priority.

Next you must have a compelling product. In order to have a great product, you must have great people to come up with the product. Parks tells the retailers that you want your store to be the first shopped, not the last.

Your store must be presentable to the customer. You only have 5 to 10 seconds to grab the customer as they walk by. Is this store the most exciting store in the arena? Does it make the customer want to shop here first?

Finally, pride is very important. You must have personal pride in yourself. Are you confident about everything you do? You also must have pride in the company. Are you confident that this year will be a big success? The company must help balance an employee’s personal and work life.

In conclusion, the four P’s of retailing cannot be done without the other. If you do not have the people, then you cannot make or sell a product. If the product is not presented well then it will not be bought. In conclusion you must have pride in your company and yourself.

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The Four P's of Retailing
by Waletha L. Garrett

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Do You Deserve Recognition as a Best Practices Champion?

Do You Know Other Retailers Who Deserve Recognition as Best Practice Champions?

The University of Florida Center for Retailing Education and Research is conducting a best practices survey for the National Retail Foundation, the nonprofit research and education foundation of the National Retail Federation. The survey is funded by a generous grant from American Express in order to identify and recognize retail companies that promote the best practices in retailing. If you don’t participate, we may miss a best practice and you will miss your opportunity to receive national recognition as a best practices retailer. It’s easy to submit a best practice using our website: http://www.cba.ufl.edu/CRER/bestpractices. If you have any questions, please call us at (352) 392-7166, ext. 1255 or e-mail us at bestpractices@dale.cba.ufl.edu.

Winners Will Be:

- Showcased at the NRF Annual Convention
- Presented with a “Retail Champion Award” at Leading retail and company conferences
- Highlighted in retail trade advertisings
- Mentioned in press releases and articles
- Featured in the American Retail Excellence Book
Leonard Riggo Speaks on Bricks and Mortar Retailers

by Cecilia Schulz

As retailers, we are all confronted with the same decisions and are curious as to what the next 5 - 15 years will look like. Leonard Riggio, Chairman and CEO of Barnes & Noble, managed to break away from his very successful business to talk to his retailing peers about this very issue. How is it that he continues to build elaborate Barnes & Noble stores in the face and reality of the Internet business? Is there a future in the bricks and mortar businesses and what changes, if any, should we make?

The book selling industry began as a sleepy business of small, independent bookstores which were “high-brow”, exclusive, forbidding and intimidating. Another variety was a mall bookstore oriented to the female customer who is the typical mall shopper. No one thought the bookstore business could be an industry. Riggio’s vision was always different. He felt bookstores should not be elite places. They should not be for people who have “already arrived,” rather they should be about learning, growing and becoming. Riggio thought bookstores should be for everyday people from children to intellectuals. Riggio thought he could design a book store to house all of this variety.

Since the beginning, it was thought his idea of a Barnes & Noble superstore would average out to be about 50 – 60 stores. At present, there are about 520 and still growing. Riggio talks of opening stores in the most remote cities and the public responds favorably every time. The more stores that were built, the more sales he made. Most importantly, the scale of the store would create a self-fulfilling prophecy. The stores are not just big boxes. They make architectural statements and communicate big messages. All Barnes & Noble stores are different. His stores are crafted to fit the context of the community in which they are built. Barnes & Noble likes to get into old buildings and use some of the interesting characteristics of the building to make the store more exciting. When people see the stores, the message they get is that bookstores are important. So, they come in. They are welcome with places to sit, clean restrooms and community events. How can a bricks and mortar maintain market share and make a store a magnet? Riggio says Barnes & Noble’s community events make a difference. Celebrity chefs, athletes, authors and entertainers bring big crowds! Last year, Barnes & Noble sponsored over 50,000 of these events!

Retailers remain viable in the face of e-commerce, but it depends on who the practitioners will be. E-commerce requires a strategy and we all need it. Retailers need to embrace the future and the Internet is a reality.