Our 10th annual Retailing Smarter symposium held in Orlando was a big success. This year’s speakers included; Dr. Carl Steidtmann, Director and Chief Economist from PricewaterhouseCoopers; Bruce Nelson, Chief Executive Officer, Office Depot; L. Daniel Jorndt, Chairman and Chief Executive Officer, Walgreen Co.; Maxine Clark, Founder and Chief Executive Bear, Build-A-Bear; Marianne Wilson, Senior Editor/Special Products, Chain Store Age; Tony Brown, President, Southern Division, The Home Depot; and Dr. Katherine Lemon, Assistant Professor of Marketing Boston College and Frederick Newell, CEO, Seklemian/Newell just to name a few. The event was generously supported by MOHR Learning, Walgreens, Wells Fargo Retail Finance, Claire’s Accessories, The Grapevine Group, KPMG, Sears, and Sensormatic.

Please mark your calendars for our 11th Retailing Smarter 2002 symposium that is scheduled for Monday, June 10th and Tuesday June 11th. We have scheduled the symposium at the Rosen Centre Hotel in Orlando. We are planning on a spectacular line-up of speakers for your enjoyment.

My deepest appreciation to those who attended our 2001 symposium and I look forward to seeing you again in Orlando in 2002.

“Orange and Proud of It” -- What Drives The Home Depot to Be the Best
by Daniel Aslan

What drives the Home Depot to be the best? “It’s our people”, says Tony Brown, President of the Home Depot’s Southern Division. It is because of people that Home Depot has won Fortune magazine’s “Most Admired Specialty Retailer” award for eight consecutive years. Mr. Brown shared the “wheel of value” which is a blueprint to achieving results and the key to the home improvement giant’s success.

One facet of the Home Depot’s success is its focus on the customer. An example of this is when customers told the Home Depot that the associates made a difference, but that it was sometimes very difficult to find an associate for help when the associate was busy stocking merchandise. Also, aisles were filled with merchandise making getting around difficult. These were serious problems. The Home Depot decided to follow the lead of grocery stores and decided to stock the stores after hours! This helped alleviate clogged aisles during business hours and create time for the associates to serve the customer. Before some of these changes, employees spent 80% of their time doing tasks and 20% on customers. Now, 70-80% of the associates’ time is for the customer. This emphasis on people is what has helped to drive Home Depot to be the best.
Multi-Channel Retailing: Adapting to Customer Expectations

by Anne Magi

Nathaniel Fry, Managing Principal of IBM’s Business Innovation Services opened a stimulating discussion on multi-channel retailing by reporting interesting findings from a research project on how consumers use the virtual and physical world when searching for information about, and acquiring, products. The study reveals that many consumers combine the usage of the Internet and physical stores when shopping. How consumers shop across channels is also dependent on whether the product is informational or experiential in nature. However, as many as 46% of the shoppers had not used the Internet at all whereas only 6% had not used physical stores. Fry noted that it will be hard for Internet-only retailers to survive on such a marginal share of hard-core Internet-shoppers, and his message was that companies should stop treating the Internet as a stand-alone retail channel.

Dennis Honan, Vice President and General Manager of Sears Customer Direct (foreground) on a panel with Nathaniel Fry, Managing Principal of IBM's Business Innovation Services.

of how Sears has integrated its online services with its network of existing stores. He underscored the need to take customer expectations into account in this endeavor. Consumers expect a seamless experience, the same gift registry should be accessible both online and in-store and prices and promotions need to be the same across channels.

Sears currently holds the number one position among “clicks-and-mortar’s” in the US, and Honan gave five keys to this success. Firstly, Sears has been aggressively customer centric. Secondly, the company established a strategic directive based on company strengths such as strong brands in appliances and tools, existing delivery infrastructure and call-centers. Thirdly, the strategy and vision has received total support from top management. On a more practical side, systems for inventory control and pricing need to integrate with existing systems. Finally, Sears has found that collaborating with strong partners such as IBM has been essential when establishing the online business.
Walgreens is a prosperous, 100-year-old company with over 3,000 stores and 26 consecutive years of record sales and earnings. The Chairman and Chief Executive Officer of Walgreen Co., Mr. Daniel L. Jorndt, explained reasons for this success. As large and prominent as Walgreens has become, employees, managers, and executives have a tremendous responsibility to the company because the image they present is noticed by customers, the community, and the nation. For this reason, Mr. Jorndt stressed the importance of what is done over what is said.

Practicing ethical behavior at all times gives Walgreens a trustworthy reputation. Mr. Jorndt said that how the organization behaves in good times gives an indication of how they will act in less favorable times. For example, many years ago a Walgreens store in California made a mistake when filling about thirty prescriptions. For roughly a month, the wrong pills were given to these patients until a pharmacist caught the mistake. He learned that the mix-up in prescriptions was not a hazard to one’s health. Walgreens had a dilemma; admit the mistake to patients and risk lawsuits, or keep quiet and resume filling the proper prescriptions. Management insisted that patients and authorities know the mistake. Apologies were sent to all patients. The end result was no lawsuit and no litigation against Walgreens and a deeper respect for their integrity. The long and established culture of ethical behavior “provides a compass for such practices in all situations.”

Charles R. Walgreen Sr., Walgreens' founder, was adamant about ethics in his business and held others to his standards. In Mr. Walgreen's opinion “…the success of my business depends entirely upon the character of the people conducting it.”

In running a business, employees, customers, and stockholders are always considered. In Walgreens, two groups get precedence when decisions are made: employees and customers. If they are taken care of, satisfied stockholders will naturally follow. The idea commonly held by CEOs is to increase stockholder value. But this is not true for Walgreens by any means. Whenever there is a stockholder/employee conflict, the employee is considered first. Before an action is made, the effect on employees must be examined.

For Walgreens, ethical behavior is the bottom line. This belief attracts the best people who support great customer service. Practicing ethical behavior will result in a profitable business for customers, employees, and stockholders.

The Role of Ethics in Business
by Marcus Gilford

Design Innovations: Winners for 2000
by Tim Silk

Marianne Wilson, Senior Editor of Chain Store Age, presented highlights from the publication's annual Visual Design Competition. A panel of retailers and store designers judged this year's competition, which received over 200 entries. Wilson commented, "Interestingly, there was no single dominant trend in 2000. Not only was I struck by the diversity in store design, but function has become increasingly important and is no longer sacrificed for the sake of design."

Notable trends witnessed in 2000 include the emergence of in-store kiosks. Retailers have experimented with in-store kiosks as a way to offer specialty or niche-market products inside the vendor's traditional retail space. The strategy is aimed at increasing profit-per-square-foot without requiring a physical renovation of the retail space.

A second trend is a move toward simple, clean, (even minimalist) store designs. The goal is to channel traffic into the store with inviting frontage while putting the emphasis back on the merchandise by reducing in-store clutter. Users of this strategy include shoe retailer Sketchers, fashion designer Prada, and the sophisticated liquor retailer Liquor Control Board of Ontario (LCBO).

Another notable trend is the use of specialized shopping zones aimed at attracting the teenage segment. Macy's has experimented with the "Thisit" concept, which makes use of time-of-the-trend pop music and a concentration of TV and video...
Mr. Nelson started his presentation by indicating that every company has its day in the sun, meaning that everybody gets a chance. In 1996, Office Depot’s competitors came to the sun by drastically improving their performance and profits ahead of Office Depot. However, “If you’ve been in the sun for a long time, you get a sunburn”. Mr. Nelson predicted that the future of Office Depot is very bright and asserted that it would soon have its day again in the sun.

Office Depot started its rapid expansion across the U.S. 15 years ago. The concept of an office supply superstore was new to businesses, as it allowed them to conveniently buy their office products from a single store. During the early years, Office Depot emerged as a leader and was able to outperform its competitors.

Over the past decade, competition intensified and the overall market consolidated dramatically. In fact, in 1996, Office Depot and Staples agree to merge. Had the merger succeeded, it would have been a “merger of equals”, as Staples was strong in the northeast while Office Depot’s strength remained in the southeast and west, and there was very little real estate overlap. During the 11-month process, Office Depot halted its real estate efforts, and as a result, lost most of its real estate managers. In addition, vendors worked with Staples on innovations and cost savings creating new opportunities for growth and major improvements. While the two companies waited for the Federal Trade Commission (FTC) to approve the proposed merger, they met and exchanged “best practices”.

Unfortunately, to the disappointment of both Staples and Office Depot, the FTC ruled against the proposed merger on Jun 30, 1997. From the process, Office Depot emerged as a “weaker player” as it lost senior management, in particular, its real estate department.

However, this did not deter Office Depot from reclaiming its lost glory. Instead, it embarked on an ambitious program. It rebuilt its management team and real estate staff. It opened stores very fast. It conducted a comprehensive business review of all their businesses namely retail, business services group and warehouse and delivery operations. Office Depot focused on under performing business segments and assets, the changing competitive environment, reducing complexity and improving efficiency, its core competencies and competitive advantages and their cross-channel knowledge of their customer base. This review revealed that Office Depot’s performance within a market is strongly driven by the timing and scale of its entry relative to competitors. Office Depot started to reconfigure the market and site selection strategy to improve performance of overall store portfolio.

Strategies adopted by Office Depot included the closure of 70 stores which were located at inappropriate sites or with lack of density, limited focused expansion in existing markets, identifying traffic generators, stronger merchandise selection and appeal, improved store environment. In the Business Services Group, the strategies included reduced complexity and improved efficiency of warehouses, improved contract business profitability and measured and improved customer service levels. By the same token, improvements in the international segment include strategically entering new markets.

Office Depot is truly a global company, the most recognized brand in office supplies and products, and is committed to being a more compelling place to work, shop and invest in the future.

WINNERS continued from page 3

screens—all in an effort to increase the amount of time (and money) teen consumers spend on shopping.

Among the winners and honorable mentions in this year’s competition were Maytag Stores, Seibu (Japan), Disney Store, Velvet Pixies, Stage 16—a Warner Brother’s licensed concept restaurant, and Halogen—a private label developed by Nordstom’s.
Selecting and Hiring Retail Employees in a Tough Labor Market: A Panel Discussion

By Lauren Somrak

This year’s Retailing Smarter Symposium brought together a panel of executives to address the question of how do you attract, assess, hire and retain quality people and talent in retail? Suzanne Travers, President of The Grapevine Group, began the discussion by stating, “Recruiting is recruiting is recruiting. What really makes the difference is execution.” In stressing the importance of alignment, defined as the process of knowing where your company is, where you’re going strategically, and then making sure that recruitment and retention efforts match this, she recognized that although everyone has access to the same tools, another layer of planning and strategic thinking should be added.

Jonathan Canger, Vice President of Human Resources Research & Development for TMP Worldwide recommended looking at retailers’ human capital challenges in a different way. Quoting Henry Murray, he stated, “In some ways each of us is like everyone else; in some ways each of us is like someone else; in some ways each of us is like no one else.” Dr. Canger utilized this quote to present the idea that retail firms have typically addressed their human capital challenges with “one size fits all” strategies. He suggested that retailers take a lesson from the second part of Murray’s quote, and move to target their recruitment advertising, selection processes and management practices to find and select people who will enjoy, and perform well in the retail environment. Canger outlined a process where firms identify current successful employees who ‘fit well’ in the general retail environment and the unique culture of a given firm, and then utilize online assessment tools to find “the someone else” who is like the current successful employee.

Ed Melia, Vice President for Internet Recruiting, Training, and Strategy for Monster.com, addressed the issue of sourcing and the misconceptions that many companies have about Internet recruiting. He presented the problem that many new recruiters think that sourcing on the Internet is all there is, “they post a job online and then sit back in their desk…they think that a person is going to pop off a screen and blow up into a chair.” Ed Melia emphasized the need to train people on how to use the Internet to source in a more intelligent and proactive way.

Bridget Bradley, Vice President, Southern Region, for MOHR Learning looked at the question of what to do with the people once you get them? She referred to a study conducted by Sears and Harvard Business Review which found that how long people are on the job directly impacts how satisfied the customer is, which ultimately impacts financials. Since 50% of turnover in retail happens within the first 97 days, Bridget Bradley presented the challenging question of, “Are we not giving them the tools they need with sufficient training in order to do their jobs and be satisfied?” To support this, she worked through a scenario illustrating how much it may cost an organization in training to see where the disconnect or opportunity may be.

Susan Burns, Director of College Relations, for Federated Department Stores, discussed the 100% student targeted, college recruitment website, retailology.com. She discussed the new challenges college recruitment faced at the time of retailology.com’s inception in September of 1999 which included increased competitiveness among companies, as well as more opportunities and choices for students. With its initial objective to facilitate the marketing of Federated on campus, Susan Burns expressed Federated’s desire for students to have fun with the site and the ability to get to the information they want very quickly. The website, which provides information on divisions, locations, career opportunities, internships, diversity, and community programs, has allowed Federated to find out who the “customer” is. Ms. Burns explains that the site gives, “tremendous insight into what is on the student’s mind…they have a lot of questions…and, in some instances, a desire for guidance.”

"Recruiting is recruiting is recruiting. What really makes the difference is execution."

Suzanne Travers
Dr. Katherine Lemon, Assistant Professor of Marketing, Boston College and Frederick Newell, CEO, Seklemian/Newell talked about the challenges facing companies in the rapidly changing wireless environment. Using examples from their forthcoming book, Wireless Rules – Customer Relationship Management Anytime, Anywhere, to be published by McGraw-Hill on July 6th, they argued that businesses need to move from company-centered strategies to strategies in which the customer is put in charge. Instead of using database marketing techniques, based on what the company wants to sell, companies need to develop a meaningful relationship with the customer. Customers do not want to be treated equally, they want to be treated individually. Instead of relying on information about the customer, companies should start paying attention to information from the customer; the customer should be put in control.

In the wireless communications environment, consumers are constantly bombarded with messages. Companies should not add to this information overload by sending generic messages to consumers, but should instead provide them with highly personalized information. Businesses need to gain the consumers’ trust; they need to ask permission to invade their privacy. Rather than pushing their products without being invited, firms need to listen to their customers and provide what they want, when they want it, and where they want it. Though customers in the mobile economy are always “on,” this does not imply that they can be contacted at any time. Customers want to be contacted on their own terms. Moreover, when customers do signal that they want to be contacted, they expect an immediate and personalized response from the firm. Customers want to be recognized: they expect that their information and preferences are being remembered.

Finally, the speakers concluded by discussing the benefits of wireless strategies as well as possible wireless pitfalls that should be avoided. Going wireless can add value to a firm by increasing the firm’s accessibility and the timeliness of the information provided to the customer, but firms should be weary of gratuitous technology and should take great care not to ignore the privacy issues.

Maxine Clark, Chief Executive Bear explains her new concept.
Cynthia Cohen, President of Strategic Mindshare, launched this topic by presenting the nature of electronic exchanges. Subsequent to Ms. Cohen’s introduction, Kenneth Frieze, President and CEO of RetailExchange.com, and Guy Yalif, Vice President of Product Marketing with QRS Tradeweave Retail Network, took the floor to describe how the services which their respective companies offer to retailers can facilitate and improve operations.

Drawing an analogy between electronic marketplaces and traditional physical ones, Ms. Cohen described electronic exchanges as the modern day answer to traditional open-air markets. Like their predecessors, electronic marketplaces enable multiple vendors to display their wares and multiple buyers to look at product and negotiate with vendors.

These electronic marketplaces are defined by a series of choices; it’s a Chinese menu of options that differentiate the types of exchanges. Some characteristics of exchanges include ownership and access, pricing, and merchandise categories carried. In terms of its ownership, an exchange can be independent, a consortium, or private. Independent exchanges (QRS Tradeweave Retail Network and RetailExchange.com) are established by entrepreneurs or venture capital firms and are typically open to all retailers and vendors. Several retailers and/or vendors can form a consortium (e.g., Transora). Access to this kind of exchange is limited to the key industry players who form the consortium. Finally, private exchanges are set up by a single retailer or vendor who limits the access to the exchange.

In reference to pricing, exchanges may operate on the basis of fixed, negotiated (by telephone, fax, or email), or auction prices, or a combination of these. In terms of merchandise, some exchanges deal in a broad selection, offering anything from apparel to food. Other exchanges limit their merchandise categories, specializing in hardgoods or softgoods or focusing on a niche class of goods (sports equipment).

At the conclusion of her presentation, Ms. Cohen expressed her conviction that electronic exchanges will gain importance in the future. Ms. Cohen predicted that private marketplaces would drive transactions and that companies would belong to several exchanges.

Mr. Frieze introduced RetailExchange.com as an electronic exchange, which specializes in business-to-business retail transactions for the disposition of excess merchandise. The company operates in a promising market: excess merchandise amounts to 60 billion in the United States alone. RetailExchange.com strives to accelerate and simplify the disposition of excess merchandise for its customers, to preserve the integrity of their brands and channels, to increase the recovery value of the merchandise, and to promote the establishment of new business relations. To execute its mission, the company offers online public and private marketplaces, engages the services of category experts, maintains a salesforce of more than fifty professionals, and operates a showroom. Category experts position a customer’s inventory for sale, and sales professionals package and present the merchandise. RetailExchange.com mobilizes the services of well-established credit, transportation and escrow companies to support transactions. In conclusion, Mr. Frieze emphasized that RetailExchange.com invested in technology so that its clients do not have to do so.

Mr. Yalif took the floor to present the QRS Tradeweave Retail Network. Over the course of thirteen years, the company has achieved well-known expertise in the management of global retail supply chains and has been a continuous innovator in the technological evolution of the retail industry. Today the company’s employees deliver value to their clients by providing tools which enable retailers, manufacturers, and their business partners to source, track, and deliver the right product at the right time, while enjoying lower costs and faster cycle times. Through industry standard messaging, through the largest item database in the world and through hundreds of experienced retail professionals, the company brings buyers and sellers together.
Dr. Carl Steidtmann, Director and Chief Economist of PricewaterhouseCoopers, opened the symposium by reviewing some online retailer business failures and concluding with several important lessons for managers. Additionally, he discussed the impact of the current and future economy on retailing industry.

Steidtmann claimed that the US economy is on the edge of recession. The evidence includes yield curve, stock market, consumer confidence and unemployment claims. Corporations have been experiencing painful financial restructuring and falling profitability. Tighter bank lending has forced many companies, especially dot-com companies to resort to bankruptcy.

He argued that corporate failures, especially online business failures, provide many valuable lessons for the retailing industry. He emphasized that convenience really matters for retailers. Transaction complexity is one of the main reasons that caused companies such as webhouse.com to fall apart. For any transaction, he alerted retailers should always remember to K.I.S.S. (keep it simple and stupid). Less customer instant gratification is one of the main shortcomings of many online stores. Listing boo.com as an example, he also warned that the lack of market vision may be the core factor for failure. In addition, he points out that collaboration culture is necessary for the success of business-to-business e-commerce such as online auction markets. Interestingly, Dr.

Steidtmann believed that there is no first mover advantage for retailing industry because being second can mean learning from a pioneer’s failure and reduce their risks.

In the end, Dr. Steidtmann discussed the impact of future economy on the retailing industry. He predicted that ubiquitous technology such as the intelligent house, and wireless communication will provide huge opportunities for retailers. However, the Internet also makes it easier for manufactures to face consumers directly, bringing competition to retailers. He stated that companies that can focus on customer-managed-relationship and “speaking with a human voice rather than a marketing voice” can be successful.