Allen Questrom’s words of wisdom are simple, and ones we have all heard before, but it took a man like Questrom for them to really be heard. His passion for retail vibrated through the room, sparking and motivating each of us to evaluate our own passions and career aspirations. It was Questrom’s anecdote about his accidental encounter with retail that began his speech about a Retailing Romance.

It was not long into Allen Questrom’s career that he realized being a ski instructor might not help him through the summer and one particularly warm winter. It was with this realization and his workhorse attitude that Mr. Questrom began a life long romance with retail. Starting out at $100 dollars a week as a trainee for the A&S company in New York, he stressed the idea that buyers should be out on the selling floor, an idea that can be easily forgotten in the mix of corporate responsibilities. From those beginnings he is now known as the Retail Turnaround King.

Mr. Questrom’s passion for the business has motivated many people. He gave us these words of advice:

Have a passion for your job, and be excited about it. You only live so many years, and most of your waking moments will be spent at work.

Choose a company you believe in and feel good about. Be a student of that business, know what’s going on around you.

PETsMART - TOTAL LIFETIME CARE

by: Lindsay Kates

One of the main goals PETsMART achieves every day is to provide Total Lifetime Care to every pet, every customer, every time they visit the store.

At the time of Bob Moran’s arrival at PETsMART, stock was trading at $3 a share, while today it is trading at $30 a share and has become one of the top companies in pet products.

When Bob Moran joined PETsMART in July of 1999, the company was experiencing slow sales and was not able to keep up with the demands of the customer. As a company they recognized that it was time for a change. They decided that differentiating themselves from their competitors and understanding what the customer wants and needs would help them create the positive change that PETsMART needed.

After some research, PETsMART found that the customers wanted the best for their pets, but

See PETsMART page 5...
Dr. Carl Steidtmann, Chief Economist for Deloitte Research, revealed that changes in the world are now leading to changes to smaller, more consolidated retail businesses.

Winston Churchill once said, ‘The future is one damn thing after another.’ And so it is when it comes to the business environment for retailing. Although the environment for today’s retail industry has never been more volatile, Dr. Carl Steidtmann, Chief Economist for Deloitte Research, provided an insightful presentation in which he identified the key business factors that have been influencing the retail business, including industry deconsolidation, consumer polarization and technology advancement. He discussed how these factors will shape the retail industry in the years ahead, and projected the growth of small retailers as the trend in the future retail industry.

Dr. Steidtmann started with an overview of the recent retail industry. He said that the retail industry has been growing in recent years, despite the disturbances of 9/11, Iraq War and hurricane seasons. Accompanying this growth, the retail industry has also experiencing a trend of deconsolidation. Taking the grocery food stores for example, Dr. Steidtmann illustrated that whereas the grocery food sales has increased by 5.8%, the top ten grocery stores food sales has only increased by 2.7%. This deconsolidation trend is indicated by the slowing growth rate of the existing large retailers. Taking Wal-Mart as an example, Dr. Steidtmann indicated that despite its total sales growth, Wal-Mart’s revenue growth rate has decreased continuously since 2000. Another indication of deconsolidation is reflected by the emergence of an increasing number of small retailers. Small retailers, such as Whole Foods Market, EBay and Netflix, have been growing rapidly. These small retailers, what Dr. Steidtmann called “long tail markets”, have exhibited increasing impact on today’s economy. In the job market, small retailers have provided more jobs and contributed more to household income. In equity markets, small retailers have shown stronger stock performance compared to traditional large retailers.

Next, Dr. Steidtmann emphasized the changes in consumer preference. He pointed out that rather than being homogenous, consumer preferences are moving toward polarization along different dimensions, such as political affiliations (e.g., Red versus Blue), life styles (e.g., Urban versus Exurban), age (e.g., Younger versus Older), income status (e.g., Richer versus Poorer), and more ethnic attributes (e.g., Hispanic versus Non-Hispanic). These consumer preference polarizations imply a more segmented retail market. To better serve the customers, retailers should prepare different specialized business approaches and logics for each segmented market. Small retailers, who are more specialized on certain unique retail segments, are more capable of serving the customers in their market segments, and thus have more competitive advantages than traditional larger retailers.

Finally, Dr. Steidtmann discussed the role of technology advancement in the growth of small retailers. Recent technology development, especially in channel distribution, has greatly lowered the operation costs of retail stores. According to Deloitte Research, advanced retail distribution technology has reduced retail inventory by a total of $45 billion since 2002. Such advancements enable small retailers to be capable of handling large-scale distribution, which used to be handled only by large traditional retailers. Meanwhile, technology development in the electronic smart card enables small retailers to process and store large volume of customer information in an economical way. Thus, small retailers are now able to provide customized service on a one-to-one basis in an affordable way.

Considering the changes in industry deconsolidation, consumer polarization and technology advancement in the retail industry, Dr. Steidtmann projected that the future of the retail industry will have the following new characteristics: closer to customers; unique to specific customer segments; fewer store workers, and smaller store size. He concluded that ‘Small Is Beautiful’ for the future retail industry.
A FAMILY AFFAIR WITH CLAIRE'S

by: John Pan

In the ever changing world of retail, the ability for a retailer to keep up with the trends could mean the difference between success and failure. Claire’s founder and Chairman Emeritus Rowland Schaefer was always thinking one step ahead. He transformed his company from a 25-store operation in the 1970’s selling wigs to middle-aged women to the premier shopping destination for tweens world-wide, as Claire’s Inc. operates almost 3000 locations around the globe. Daughters Marla and Bonnie Schaefer continue the family tradition as they have served as Co-Chairmen and Co-CEO of Claire’s since 2003, after their dad had suffered a stroke. Bonnie says that the hardest part of the succession planning process was not convincing the consultants or Wall Street; it was convincing their dad. Well, numbers speak for themselves, as same store sales were up 8% in the most recently completed year. The Schaefer sisters attribute their success to a variety of factors. They realized that the two of them have different areas of expertise; therefore, they divided up their responsibilities so that no overlapping occurred. Also, the sisters believe that a healthy family life is vital to a successful professional life. It is important to separate personal life from business life. In the two years that the sisters have led the company, they say that they now know each other more intimately and respect each other more than ever before. During their question and answer segment, they were stumped by a question asked by a University of Florida student. The question was whether or not the sisters felt pressure from their father to follow in his footsteps. After a moment, they said that working for their dad as they were growing up was twice as hard as working elsewhere “as the boss’s daughters” and also because they wanted to please their father as well as their boss. They did feel pressure from their dad to follow in his footsteps as they wanted to continue the business he had built and make him proud of their accomplishments. Based on results to date, the Schaefer sisters have done just that. In Claire’s case, success can run in the family.

CREATING AND SUSTAINING LIFETIME CUSTOMERS

by: Rebekah Lee

If your passion is in the retail industry, Christopher Zane is one of the few people you should definitely meet. He is the Chief Executive Officer and Founder of Zane’s Cycles, located in Branford, Connecticut. I would consider Christopher Zane as a “retail king” as he is one of the most successful retailers in the industry. His presentation at the Retailing Smarter Symposium inspired me to join the retail industry right away. Not only did he get a state tax ID number at the age of 12, but he also bought his own bicycle shop at the age of 16. In addition, at the age of 40 he already had 24 years of experience in the retail bicycle industry. He first began business in 1981 where sales were at $56,000 in a 900 sq foot store. In 2004, his sales increased to $7 million with an annual brokerage of 25%. Throughout his years in retail, Christopher Zane has provided an exceptional amount of service to his customers. He believes that one should build a relationship with the customer. Zane has said, “Providing service that we offer.” Instead of competing through price wars, Zane concentrates on customer service. Furthermore, Zane’s marketing strategies are very impressive and focus mostly on guerrilla marketing, relationship marketing and customer marketing. He believes that marketing is image driven and not product driven. He advises to create a brand in the mind of your future customers; hence his creation of the Helmet Program and his involvement with youth sports teams in the local community. Zane’s theory is to play it “bigger” than you are. He demonstrates this by his full page ads in numerous catalogues, etc. He has received a long line of awards and distinctions including the Recognition for Customer Service and Outstanding Business Practices, the New Haven Advocate Readers Poll, Best Bicycle Shop, New Haven County 1993 - 2004 and North America’s Best Bicycle Retailer. A quote that I will always keep in mind is, “It’s a game! Play it! If you’re not having fun, then it’s not for you!” Christopher Zane is continually growing his operation in service as well as getting more involved with the community. He is certainly an inspiration to any potential retailer joining the industry.
Since childhood, students have been taught to use the approach of trial and error to support their pursuits, whether it is through perfecting a jump shot on the basketball court or through employing the scientific method in a laboratory. This concept is executed in the business world also, as was demonstrated by Jim Manzi and Marty Lang in their recent Symposium presentation, “Test and Learn Retailing: Lessons from the Winners.”

Jim Manzi, the CEO and Co-Founder of Applied Predictive Technologies (APT), uses optimization models to better understand the true impact of pricing, promotional, operational, marketing or capital investment decisions across the entire store network. Advances in technology and increasing retailer sophistication have turned experimentation into a strategic capability. With combined consulting and technology backgrounds, APT develops strategic models to test ideas in trial stores (“every retail idea is only a theory until execution in stores”), saving time on debates and providing tangible results from which retailers can learn.

When applying the Test and Learn approach retailers seek an efficient process, which yields reliable results. To ensure this, the impacts on key performance metrics are analyzed and stores with a larger impact are identified. Users must be wary of compounding factors, and find the best way to isolate variables.

Dozens of leading Fortune 500 companies have successfully implemented a Test and Learn capability. Among the most successful is Famous Footwear. Famous Footwear and APT worked together to implement Test & Learn three years ago. The company has evaluated many tests over this span of time and their results have proven that test and Learn capabilities allowed the company to test this conflict. In Q2 of 2003, 49 stores ran the BOGO promotion without exclusions. The results were phenomenal with over 95% confidence that no exclusions increased sales and 94% confidence that no exclusions increased gross profit.

Additional tests have been implemented by Famous Footwear in areas of marketing, new product, and promotions to name a few. Over the years Test and Learn has effectively helped Famous Footwear to save money by testing ideas prior to rolling out decisions to all 925 stores, but more importantly the company can be confident that when a plan is executed it will be successful.

APT is an effective program.

One test in particular that Lang discussed was a Back To School (BOGO) Buy One Get One promotion. Often such sales come with a list of qualifiers stating the promotion does not apply to certain brands or categories. Within the company, many people wondered whether running a BOGO sale without exclusions would increase sales or gross profit. Test and Learn capabilities allowed the company to test this conflict. In Q, of 2003, 49 stores ran the BOGO promotion without exclusions. The results were phenomenal with over 95% confidence that no exclusions increased sales and 94% confidence that no exclusions increased gross profit.

The David F. Miller Center for Retailing Education and Research would like to thank the following companies for their generous support in sponsoring Retailing Smarter 2005.

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**Miller Zell, Inc.**
**National Retail Federation**
**Novations VMS-MOHR Learning**
**PETsMART**
**Sears Holdings**
**MARKETING TO BABY BOOMERS**

_by: Tara Quincey_

Sharon Whiteley, President and CEO of ThirdAge, Inc. joined the plethora of talented and engaging speakers that were part of this year’s Retailing Smarter Symposium when she shared her thoughts and ideas with regard to “Marketing to Baby Boomers.” In her talk, she included myths about baby boomers, the potency of its market, ageless, value-based marketing and Internet strategies to reach this compelling demographic.

In contrast to the business potential that this dynamic population holds, baby boomers have been surrounded by debilitating myths that marketers have placed upon them. Some of these myths include: aging baby boomers being seen as “seniors” and “old” - even at a mere 50 years of age; they are inactive and not open to new trends/brands; and that they are “set in their ways” and inadaptable.

Baby Boomers, those born between 1946 to 1964, today are 78 million strong. They are responsible for 50% of all discretionary power, 80% of personal financial assets and they are the fastest growing market segment online (hardly technophobes, another common myth). In fact, between 2000 and 2004 the growth of the 50 plus crowd online increased by 89% to over 32 million people. A significant part of this market, Ms. Whiteley added, is the ever-growing market of women. They are responsible for the majority of adult consumer spending including home furnishings, health care spending and vacations. And they often hold the title of decision-maker. When marketing to women, Ms. Whitely reminded us of some general constants to consider: women are time starved and will respond to messages addressing this status; they don’t relate to jargon or bloated claims so be authentic and real; and don’t forget to use humor where befitting.

Considering the phenomenal growth of boomers’ use of the Internet, Ms. Whitely stressed the importance of increasing text size, using high contrast colors and not using all Caps for greater readability. She encouraged sites to be designed with “intuitive navigation” making it simple for visitors to find what they want easily. Trust, she emphasized, is the single most important ingredient when building a relationship with this discriminating constituency. Based upon research conducted on ThirdAge.com PETsMART has created a store that not only provides pet food and supplies, but also a great place for pet services and information. PETsMART wants to help pet parents provide pets with longer, happier, healthier lives.
OPEN “HOME RUN” STORE LOCATIONS, EVERY TIME, USING THE NEWEST TECHNOLOGIES IN RETAIL MARKETING RESEARCH

by: Lauren Earl

Rick Claes, President and Chief Executive Officer of eatZi’s Market and Bakery (left) and Rich Hollander, President of the Customer ID Division of Buxton, shared how the use of identifying the best customer for target marketing and site selection made a difference for eatZi’s success.

Having the right location is a key ingredient to opening a successful retail store. Rick Claes, President and Chief Executive Officer of eatZi’s Market and Bakery learned this the hard way. Rick acquired eatZi’s, a European-market-style specialty food retailer, in 2002 along with concept founders Phil Romano and Castanea Partners.

eatZi’s Market and Bakery operates five upscale food stores that feature a bakery, market, restaurant and carry-out in Texas, Georgia, Maryland, and Illinois. The stores offer prepared foods as well as fresh produce, gourmet ingredients, and wine. They also offer high quality carryout foods at lower-than-restaurant prices. Unfortunately, after only twelve months in operation, Rick’s first store closed its doors as a result of low traffic due to poor store location selection.

In order to solve this problem, Rick employed the help of Rich Hollander, President of the Customer ID Division of Buxton. Buxton is the industry leader in customer analysis for the retail industry, incorporating the most comprehensive databases and marketing information to identify the best customer for targeted marketing as well as site selection for more than 1000 clients in a variety of industries. Buxton pioneered the use of demographics, psychographics, drive time analysis, and lifestyle characteristics for research purposes.

To select the best locations for new stores, Buxton used existing eatZi’s stores to analyze all of their existing customers. After knowing more about eatZi’s customers, and where they live, a trade area was determined based on how far these customers are willing to drive to an eatZi’s location. This is measured in minutes rather than miles because travel time, rather than miles, more closely reflects how people behave.

Next, a predictive model was built based on all of the data and analysis. This model was then applied to markets of interest to eatZi’s, where Buxton was able to identify five locations with the right density of core customers within their specific drive-time trade area. Once the locations were identified, they employed a “hub and spoke” strategy to penetrate these markets. After the larger flagship store was opened and successful, the smaller satellite stores followed.

At $1,200 per square feet in annual sales, eatZi’s now has one of the highest sales per square foot of any retailer in the country, illustrating the necessity of using market research technologies to select the optimal location for a retail store to thrive.

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Shape Your Company's Future
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In a corporate world driven by dollars and cents, many companies look for clear financial evidence that an investment will generate a sufficient return. This may be fairly easy to measure when deciding whether to open a new store or sell a new product. However, it can be difficult to see the value brought by corporate philanthropy. This is the gray area where Mary Wong takes her place.

As Director of Community Relations for Office Depot since 2000, she has led the way in developing and implementing both national philanthropic partnerships and local community initiatives.

Office Depot has demonstrated the real results brought to a company through goodwill. With the corporate philanthropy mission statements, “Caring and Making a Difference” and “Taking Care of Kids,” Mary aligns her programs with company initiatives and values. Office Depot is able to generate what Mary calls a measurable “Return on Opportunity” or ROO.

For example, there is a Community Relations component to retail store Grand Openings. This demonstrates that the company intends to be a contributing member in the community from day one. Not only does this attract customers, but makes the event more media and press friendly. This further differentiates the company and connects the stores to their local markets. With their National Backpack Program, Office Depot has developed a signature project that enhances their reputation and generates tremendous media exposure. The assessment of the dollar value of media coverage has proven this to be a valuable return on investment. Efforts such as these have been recognized with several prestigious awards, creating even more positive awareness.

Not only does corporate philanthropy generate positive quantitative returns, it also has undeniable effects on the people at Office Depot. Mary routinely hears her associates express their sense of pride as a result of the company’s commitment. Employees feel more valued and satisfied and are more likely to decide to work for a company that is committed to causes. With communities valuing volunteerism at $17/hr, employees volunteer to support a cause in a huge way.

This involvement creates stronger communities, meaning stronger businesses. Mary recalled one well-managed store that drew customers over a six year period from the local community and schools, eventually becoming one of the most profitable and well revered stores in the local downtown area.

And so, as companies begin to engage in more philanthropic efforts, the most important consideration is to do it with integrity, “walk the talk.” Good corporate citizenship not only brings value but can be part of your values. As Mary concluded, “Be the change you wish to see in the world.” - Ghandi