New Ideas Thrive at Retailing Smarter 2007
By: Betsy Trobaugh, JCPenney Director, Miller Center for Retailing

Retailing Smarter is designed for participants to hear about current ideas from the industry. During the event, we provide frequent breaks for discussion and networking.

The Retailing Smarter Symposium was June 7th and 8th at the new Rosen Shingle Creek Resort in Orlando. Many organizations helped sponsor this event and I want to recognize and thank them for their generosity and continued support:

Office Depot, Jarden, JCPenney, Famous Footwear and Naturalizer, Pinch-A-Penny, Claire’s Stores, Inc., Kohl’s, IBM, Firestone Complete Auto Care, Novations, Walgreens and NPD Group, Inc.

Mark your calendar for our 2008 Retailing Smarter Symposium: Thursday and Friday, June 26th and 27th at the Omni Orlando Resort at ChampionsGate. See you there!

So Much More Than Tires
By: Ainslie Benoit

Mark Emkes spoke about the industry he is most familiar with, “Retailing Smarter in a Tire & Automotive Service Business in the 21st Century.” As CEO of Bridgestone Americas Holding, Inc. (BSAH) and Bridgestone Firestone North American Tire, LLC (BFNT), Mr. Emkes has worked in various levels of the company and has the ability to relate to people in all the levels. As a leader, this is important because employees are more comfortable sharing ideas and information if they feel like the person knows and understands their situation. After the introduction, it was easy to understand why Mr. Emkes knew so much about customer service, keeping things efficient and the future of BFNT. His remarks focused on BSAH’s retail subsidiary, BFS Retail & Commercial Operations, LLC (BFRC), a sister company to BFNT.

Mr. Emkes provided insight into how to develop great customer service. Both BFNT and BFRC have incorporated a culture in which everyone reports to the customer. So, in essence, the customers are the boss and it is everyone’s job to please them. One way is to be consistent in the services and products sold and the way they are sold. Customers

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Repositioning of the Payless ShoeSource Brand in the Marketplace
By: Chris Jurich

During the 1990s and early 2000s, a “quality shopping experience” was not the first thing that came to shoppers’ minds when they thought of Payless ShoeSource. However, the company has been working hard to turn their image around, according to Michael Jeppesen, Payless’ Division Senior Vice President of Global Sourcing and Product Development. Payless is working to change its brand identity and image with a new business strategy and evolving new business model. The first step was to create a new company mission: “Payless is dedicated to democratizing fashion and design in footwear and accessories for the world.” And with it a new slogan: “Inspiring fun fashion possibilities for the family… Payless.”

Payless wants consumers to think inspiring, cool, playful, engaging, easy and savvy when they think of Payless ShoeSource. The goal is to

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Every Day Matters at JCPenney
By: Anthony Valdes

During the symposium, Ken Hicks, President and Chief Merchandising Officer for JCPenney Company, Inc. shared how prior to the year 2000, JCPenney was not only struggling to compete with the top retailers in the country, but was facing an internal struggle to survive in the industry. The department store label it had long sought was in jeopardy because decreased sales continued to plague the retailer. Most of the struggle had to do with JCPenney’s poor customer image. The company was not performing to its potential and could not appeal to its customers.

In July 2000, Allen Questrom, an executive with a history of turning around troubled retailers, was named Chairman and Chief Executive Officer of J.C. Penney Co. In 2002, when Ken Hicks came aboard, JCPenney started a five-year revitalization plan. As part of the turnaround, the company decided to look for new leadership, centralize their buying and improve their merchandise. JCPenney decided to invest in new equipment and technology. These improvements aided the company’s success, JCPenney also improved its merchandise lines by obtaining higher recognized brands.

The effect of the retailer’s advertisements and their customer perceptions changed JCPenney’s success. The decision to focus on the merchandise and not on the price created better loyalty to JCPenney as a Brand. However, in the midst of things, the main goal was always to remember that the customers and the associates were most important to the company.

After JCPenney’s turnaround and recent progress, JCPenney needed a new strategic plan for growth. New Chairman and CEO, Mike Ullman, developed a long-range plan and in the last two years, the company has achieved many of its five year goals. The retailer wants to improve faster in the next five years than it has in the last 10 years by continuing to improve the quality of the stores and increasing its profitability. They plan to inspire customers through their tagline “Everyday Matters”, bring out powerful new brands on the floor, open up 250 new stores and find the best talent in retail to secure the company’s growth.

Throughout the last five years, the company’s sales, operating income, as well as its stock price have risen significantly. The company continues to develop new ways to make it more enjoyable and create a friendly environment while shopping at JCPenney. By focusing on what the customer wants and doing simple things such as illuminating the departments, the company has climbed back into the retail industry at full speed. While many analysts and executives thought that this company was going to be buried under the tough retail market, JCPenney proved everyone wrong.
value consistency and will return to businesses who provide it to them. A symposium attendee asked why all the service centers were not under the Bridgestone Firestone name. Mr. Emkes explained that Tires Plus and Expert Tire were obtained through acquisition. The centers are in rural areas and are well known by the patrons so a name change was unnecessary and could have been harmful to the company. However, Mr. Emkes said that if Tires Plus or Expert Tire began to under-perform in comparison to the Firestone service centers the company would reconsider changing the names.

Another action taken by the company to enhance customer service is the new store design. The new stores do not have a counter; they have individual stations that allow for a more personal interaction with the customer. The new layout should be especially attractive to female customers who value cleanliness and neatness. It offers a warmer, more inviting feel than the old arrangement.

In addition to stating what BFRC has done, Mr. Emkes gave us a preview of what is to come. In the future, BFRC is going to focus on growing instead of acquiring pre-existing business. Building new stores allows for more flexibility. The company will decide where the store will be and how big it will be. When an acquisition is made you have to work with what you get. Also, to keep things consistent there is a five-year plan to convert the existing service centers to the new open design. The company hopes to increase the number of female teammates as well. Some female customers feel more comfortable speaking to a woman or knowing that the company hires more women than the competition. Behind the scenes, BFNT is doing research to see if soy bean or corn oil can be used to produce tires which are currently made of about 60% oil. Another product in the development stage is a small motor that will be put in each tire to eliminate the large motor that cars currently have under the hood.

Bridgestone Firestone North American Tires, LLC and BFS Retail & Commercial Operations are established companies with many loyal customers. In fact, it is the great customer relationships that helped the sister companies have a fairly quick recovery after the recall of 2000. Mark Emkes represented his companies well at the 2007 Retailing Smarter Symposium. He provided all in attendance with valuable information on maintaining a quality business by offering customers superior service on a consistent basis. Without the customer there is no company.

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**How to Beat the Big Guys**

By: Elena Moran

Customers do not stew at Stew Leonard’s, where the customer is always right -- just ask the customer who got a refund for the Christmas tree returned in February for being dried out. Shoppers do not just stop by Stew Leonard’s to grab a quick carton of milk. They come for the experience. Banjo playing robot dogs are singing Dixie over the frozen peas and the milk cartons are dancing. Kids and their parents are jam-packed at the petting zoo with live geese, sheep and goats. Cars are circling the huge parking lot like buzzards. They drive oversized shopping carts down a single 20-foot wide aisle that meanders through the ten-acre complex like the yellow brick road. Employees dress as cows and chickens while ducks stroll down the aisle. It is not a theme park. It is Stew Leonard’s “The Disneyland of Dairy Stores”!

Since he first opened, he has added on 27 times to the original store, which now features a one million dollar kitchen that turns out 200 salads and hot entrees daily, a barbecue department and a seasonal garden shop. The milk processing plant is glassed in so customers can watch cartons whiz by at 150 per minute. Whole fresh milk is delivered every morning from Stew Leonard’s farmers. It is processed and packaged immediately for sale. They claim it is so fresh that it lasts for weeks in the refrigerator. Stew Leonard’s has a slogan: “You’d have to own a cow to get fresher milk!” They also process their own orange juice and sell more of it from one location than any store in the world.

Chiseled into a three-ton hunk of granite at the entrance of the Norwalk store is the slogan and principle: Rule 1 -- the customer is always right. Rule 2 -- if the customer is wrong, re-read rule 1.

See Stew Leonard’s on page 6...
IKEA has long been hailed for its unique blend of customer service, social responsibility, and wide array of affordable, well-designed home furnishings. This company has enjoyed years of success and has been able to meet the needs of millions of people worldwide. Most recently, IKEA has expanded extensively throughout North America under the leadership of Pernille Spiers-Lopez. She presented a behind-the-scenes look at IKEA's true core competency: its culture.

The corporate culture has been established with much success by adopting three ideas. The first is IKEA’s vision: “To create a better everyday life for the many people.” As Ms. Spiers-Lopez explained, this means a commitment to providing dependable home furnishings. Next is the business idea: “We shall offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.” IKEA has a unique production cycle where they design, manufacture and distribute their own merchandise. This cycle cuts costs that can be delivered straight to the customer. The last idea is the HR idea, which gives “down-to-earth, straightforward people the possibility to grow; both as individuals and in their professional roles, so that together we are strongly committed to creating a better everyday life for ourselves and our customers.” This broad concept covers vital principles that establish a strong culture. It encourages employees to make mistakes in order to learn humbleness and the constant desire for renewal.

These three concepts have become a way of life in IKEA and the company’s culture fosters an innate sense of social responsibility that is world-renowned. For example, IKEA’s product manufacturing plants follow strict standards, and the company has a goal that only 10% of their waste goes to landfills. Another major initiative IKEA has fostered is the ‘Blue Bag.’ In an effort to reduce the number of “throwaway” plastic bags that it gives away each year IKEA now charges customer $.05 for each throwaway bag. 100% of this money is donated to American Forests to plant trees to offset CO2 emissions from customer and coworker transport to and from IKEA stores. Customers can buy the IKEA blue bags to use over one thousand times, at a cost of $.59 cents. IKEA has built a firm foundation through its culture and continues to deliver a quality product to its customers while maintaining a culture of social awareness.

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Mrs. Gloria Johnson Goins talks of being prepared for talent searches by partnering with external organizations nationally.

Mrs. Gloria Johnson Goins, Chief Diversity Officer – The Home Depot, spoke about creating a competitive edge through external partnerships at the Retailing Smarter symposium. The Home Depot is the world’s second largest retailer, with more than 1,000 stores and approximately 365,000 associates.

With this many associates, the company must acknowledge and be adaptable to changes in the job market in order to ensure that they are hiring quality individuals to staff their stores. The demographics of America’s workforce are drastically changing, and by 2008 the labor force will be mostly women and people of color. Additionally, 10 million jobs in the United States will remain vacant. Should the job openings in the U.S. greatly outnumber the quality of applicants available, this will create what Mrs. Johnson Goins refers to as "the war on talent".

The Home Depot has armed itself for the war on talent by forming national hiring partnerships. Currently, The Home Depot is working with eight national hiring partnerships, four of them being Hispanic organizations:

* The ASPIRA Association
* Hispanic Association of Colleges and Universities (HACU)
* National Council of La Raza (NCLR)
* SER, Jobs for Progress

The other national hiring partnerships are the U.S. Department of Labor, The Art Institute, AARP, and the U.S. Departments of Defense, Labor and Veterans Affairs. These partnerships allow the company to connect with the community and enables The Home Depot to find a broad range of qualified candidates with diverse backgrounds.

Throughout her presentation, Mrs. Johnson Goins focused on the importance for the company to hire “the right” associates. She simply stated, “It’s all about the people.”

See Home Depot on page 5...
Bill Lucas holds the position of Group President, Retail Business Group for NPD Group, Inc. NPD is a “global market information company that measures product movements and consumer behavior across a broad range of industries.” Their clients use the insight discovered to help in their respective decisions. Mr. Lucas and Tina White Potter, Manager of Strategic Planning and Research for JCPenney, delivered a very informative presentation to the attendees of the symposium sharing facts and significant pointers describing how information assists in making good decisions.

Mr. Lucas discussed two major trends in today’s market: macro trends and driving consumer trends. The three major macro trends are experience, convergence vs. simplicity and social awareness for commercial gains. The three driving consumer trends are convenience, customization and indulgence. Thanks to ever-developing technology, all three trends are constantly evolving and improving, and meeting and exceeding consumer expectations. However, this makes it a very competitive market for retailers who must always stay one step ahead of the competition.

For retailers wishing to make more specific business decisions there are two ways to gather information: information collected from their own store and consumer input. Information collected from store numbers and performance can assist in making some specific decisions, however, simultaneously using consumer input allows for a more in-depth analysis of a company’s performance. Dr. White Potter commented that JCPenney focuses on making fact-based decisions to solidify decision making. She provided examples of when internal clients had problems and JCPenney provided data to support a decision. Dr. White Potter also discussed the importance of separating fact from fiction so merchants and marketing teams can make the best decision for the customer. Mr. Lucas made a good point stating that the more information gathered from different perspectives, the better a retailer may make a decision. Many times when retailers have an issue there are two questions they must address, “Do I have underperforming categories?” and “How loyal are my buyers and who do I really compete with?” Answering these two questions by collecting data in both given ways will provide retailers with the information needed to make good specific business decisions.

Home Depot (continued from page 4)

In addition to their external partnerships, The Home Depot applies a unique strategy in their advertising campaign. Instead of hiring actors, they feature associates in their recruiting brochures. This further demonstrates the company’s value toward its employees. To be successful in today’s retail industry, businesses need to focus on retaining and attracting talent. It will be interesting to see how companies in the United States will approach the war for talent over the next decade. ✷
Customer Service from the Inside Out
By: Kevin Newsome

One of the influential speakers at the 16th Annual Retailing Symposium was Paul Levesque, President and Founder of Customer Focus Breakthroughs Inc. Levesque’s presentation captured the full attention of the audience from start to finish. His focus was the significance of customer service. Levesque thoroughly explained it as more than just a segment of retailing, but as a foundation of success or failure.

Paul Levesque identified a key term, the flashpoint effect, as the ideal condition of an organization striving to perfect customer service. He defined this situation as a chain reaction of contagious enthusiasm that results from employee motivation and customer satisfaction feeding on the growth of one another. Within the flashpoint effect, recognition is the main motivator of employees, especially recognition that comes directly from customers. Levesque further stated that the flashpoint effect provides employees with a basic human need identified by Abraham Maslow. “A need to feel useful and necessary in the world” is awarded to employees when organizational culture allows workers to be involved in the process of delighting customers, thus obtaining a “sense of higher purpose.” Another important fact regarding employees achieving this basic human need is that it greatly reduces employee turnover. Therefore, employees are able to satisfy customers, satisfy themselves and satisfy employers with their desires to continue to please customers.

Although Paul Levesque’s dialogue initially informed the audience that the goal of retail organizations should be to achieve a flashpoint culture, the exact conditions of a flashpoint culture remained unclear. However, Levesque went on to further explain the details of such an enthusiastic environment. The first characteristic of a flashpoint culture is having the goals of employees aligned with an external focus. Rather than having employees work hard for the benefit of their managers, employees strive to achieve the delight of customers. Another characteristic of a flashpoint culture is attaining an atmosphere that dispels cynicism by tapping into workers’ latent spirit of volunteerism. Examples of such cynicism would be signs posted at retail organizations with quotes such as “I owe, I owe, so off to work I go!” or questions like “Do all jobs suck or just mine?” Levesque provided steps that retail managers can take in order to change their workplaces from being characterized by apathy, mistrust and pessimism, into a place that is driven by feelings of accommodation and self-worth.

Levesque explained that employers should allow their workers to develop their own strategies for delighting customers. By doing so, employees will obtain a greater sense of achievement and passion for satisfying customers with their own tactics. Next, managers should help employees implement their strategies. Managers should encourage customers to provide spontaneous feedback to employees. Since positive feedback is the greatest motivator, workers will then realize that their efforts to please customers did not go unnoticed. Finally, employers should allow their workers to bask in the glory of the positive feedback received. This will allow employees to constantly work to obtain the joy of receiving positive feedback over and over again.

Paul Levesque outlined six paradoxical facts about retailing that he admitted many business people have difficulty grasping. The businesses that make the most profits almost never makes profit their main priority. Internal communication is most effective when its primary purpose is not to inform, but to motivate. When managers use measurements to uncover problems, it usually only results in more problems. The most powerful managers are those that recognize and honor employees for doing things seen as “useful and necessary” outside of the organization, rather than at work. When businesses retain policies, procedures, processes, and systems in order to achieve their missions, they usually make achieving their missions impossible.

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Stew Leonard’s
(continued from page 3)

Stew Leonard’s mission is to give the customer what they want. If you prefer fish on ice instead of packed in plastic and styrofoam, no problem! They took the time to listen to what the customers wanted, and sales skyrocketed! You can buy your berries already boxed or loose so you can pick out your own. “Big Business always makes it sound so complicated. You do not have to reinvent the wheel. You just have to care,” said Stew.

The large sales and loyal following combined with a cheerful management style that stresses teamwork, advancement and fun have made Stew Leonard a small business superstar. Business people come from all over to study the store. They even have regularly scheduled business-training seminars to teach others their business principles. Stew Leonard’s is loyal to its customers and its customers are loyal to them.

In 1974, a customer had her picture taken in front of St. Basil’s cathedral in Moscow holding a Stew Leonard’s bag. She sent it to Stew and he tacked it up on the wall. Since then they have received over 7000 pictures of customers with their Stew Leonard’s bags standing in front of such spots as the Taj Mahal, the Great Sphinx and the Grand Canyon. Stew Leonard says, “I can hardly believe it. To be a hero in your own business is the dream of an entrepreneur.”
Joe Scarlett: Leading by Example

By: Amanda Gavitt

Insights and opportunities for improvement are just a few of the topics that Joe Scarlett, Chairman of Tractor Supply Company, shared with the symposium audience with examples, stories and facts.

The focus of Tractor Supply Company is culture. Culture provides a retailer with the opportunity to gain a competitive advantage and differentiate their business from others in the industry. Scarlett reinforced the idea of culture by sharing the company’s mission statement and values. Change has been a constant for the growing company yet the values and ethics have remained steady and solid. The culture of Tractor Supply Company involves a central focus on people, employees, customers and shareholders fostering teamwork, creativity and growth. The company is founded on the customer and the customer’s needs so the location and size of the individual stores fits the rural lifestyle of a majority of their customers. The unique array of products creates a blend sought by the average leisure farmer. Scarlett explained, “You can find everything we sell somewhere else, but not together under the same roof.”

Tractor Supply hires employees that share a bond with customers because most of the employees began as customers and own land and/or animals. This reduces training costs. Most employees are already knowledgeable about the products that the company stocks because they use them personally. It also gives the customer a reliable person with hands-on experience to seek assistance. This focus on the customer is extremely important because a majority of the company’s increase in sales is a result of repeat business.

Sharing knowledge that we can take back and apply to our jobs is the most valuable service of the symposium. The wealth of knowledge that Joe Scarlett brought forward was immense. He provided a new way to look at common things taken for granted. For example, he put a picture of a semi truck on the screen and asked the audience what this was. Most of the audience chucked and replied that it was a truck. His energetic reply of, “no!” puzzled many. He explained that this was a billboard, or a moving advertisement.

Suggestions that Scarlett made for other retailers to improve their businesses are to foster a strong culture and teamwork, for managers to coach employees and to keep things simple. Additionally, he encouraged managers to challenge their sales people and focus on the positive. The company is growing and delving into new realms with an online ordering segment that is going to open in the fall. Again, while change is constant the well-known values, quality and high level of service will be provided via the website. The mission statement sums up the company’s goal: “To work hard, have fun and make money by providing legendary service and great products at everyday low prices.”

Payless (continued from page 1)

bring on-trend and runway-inspired fashion into the general market. In order to do this, Payless has four strategic themes important in the repositioning effort: on-trend product, well-known brand names, enhanced shopping experience and improved operating efficiency.

Mr. Jeppesen explained that the target audience for Payless shoes is women 16-49, but that the brand is marketed to 24 year-old women. The idea is that younger girls who look up to their older peers will be interested in the brand and more mature women aspire to recall their younger era. Mr. Jeppesen identified four types of Payless customers with varying needs and wants: basic needs, traditional value, expressive and fashion-oriented. The latter two categories make up the greatest volume of sales. In an effort to offer the latest footwear and accessory trends, Payless has moved the head of their new design office to New York City. This new team is coupled with a global sourcing group and now develops 62 percent of its footwear internally instead of using independent designers or shoe agents. This gives Payless a stronger vertical presence and better control over the process from trend analysis, design through getting the product to store shelves. Also the Payless global sourcing team has moved its headquarters in Asia from Taiwan to Shanzian, China, to offer direct visibility of production.

Stateside, Payless is moving from a single distribution center model to a dual model with two distribution centers closer to major metropolitan areas in order to better serve customers.

On the shopping experience front, Payless has made major changes with new store formats (Payless Fashion Lab and Hot Zone) that eliminate the need for high racking shelves, allows for the product to be organized by trend stories, and offer more space. Payless Fashion Lab stores are a complete store redesign; there are 12 of these stores in major metro areas.

The Payless marketing initiative is focused on the new brand identity and to build an “emotional connection with the customer” motivating shoppers to return often to purchase shoes. Payless reached out to consumers through television commercials and newspaper inserts, as well as creating a “buzz” in the fashion press through a strategic public relations program, aimed at fashion influencers and taste makers, especially major high-end magazines that previously would not cover Payless. Another strategy is the “House of Brands” strategy, aimed at offering well-recognized branded products such as American Eagle, Airwalk, Champion, Spalding and Dunkman. This is part of the effort to appeal to young consumers.