

***"The Brand As North Star:
How Successful Retailers Stay
"On-Brand" and "On-Course"."***

Prepared exclusively for:

International Council of Shopping Centers

New York City, March 5th, 2013

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Introduction: Retail Realities, USA

Mega Trends/ Challenges

- *Over-stored, Over-saturated with Product Marketplace
- *Distinction “Wholesalers” vs. “Retailers” No Longer Meaningful
- *Technology Changing Selling & Marketing @ Warp Speed

Systemic Changes/ Solutions

- Experiential/Consumer Centric Neuro-Marketing
- Brand Ownership /Control the Value Chain
- Omni-Channel Integrated Brand Marketing A Must

What Business Are You Really In?

The goal of reaching sound brand marketing driven business decisions begins by answering this question...

You are in the business of providing solutions to consumers who are motivated by

- 1) **Needs** (satisfied by short term often commodity solutions)
- or
- 2) **Wants** (satisfied by more on-going aspirational solutions)

The Objective is to avoid “**Marketing Myopia**” which occurs *when we seek to sell* products or services **& not seek to solve** consumers **needs & wants...** result is “short sighted” business decisions!

Requires a Shift From:

“A Production- Centric Mindset”

To

“A Consumer- Centric Mindset”

Example of the Shift: Two Concepts of “Quality”

**Manufacturing/Production
Oriented**

“We put lots of ‘make’ in our suits, for superior quality and value.”

**Marketing/Consumer
Oriented**

“Quality and value are not determined by what the manufacturer puts into the garment but what the customer gets out of it.”

The shift from a production focus to a consumer focus, parallels an increase in supply and a decrease in apparel demand & a sector that's overstored:

-“Want”/Feelings rather than “Need” is now paramount in driving consumer purchase decisions...Neuro-Marketing identifies feelings.

- Brands become the best at creating emotional/feeling retail experiences and communicating “want” solutions to targeted consumers ...

- Brand loyalty now a retail business strategy

The Tangible Value of the Intangible Brand

*“If this business were to be spilt up, I would give you the land, bricks and mortar and take the brands and trademarks,
...and I would fare better than you”*

*John Stuart,
Chairman
The Quaker Oats Co.
Circa 1950*

What Brands Are...What They Are Not

1) *A Brand isn't your logo, tagline, icon or image...*

- A Brand is an unyielding promise of consistent performance for your employees & customers ; internal & external branding

- A Brand is a prism through which merchandising & marketing are kept aligned with each other and with consumer-centric business strategies.

- A Brand is a compass for business operations by infusing them with a consistent set of operational values & satisfaction metrics.

- A Brand is a financial asset which provides measurable added-value for stockholders & stakeholders alike.

Successful Retailers Intensely Focus on Brand Differentiation & Consumer-Centric Strategies

- “Brand” is repeatedly referenced and successful strategies described in their Annual Reports...Store owned brands & the store as a Brand are prominently positioned in annual reports.
- Mission Statements inform employees by presenting brand promises and values in a condensed format.
- Brand Tag-lines, drawn from Mission Statements are consistently placed in advertising as the Brand Promise.
- Consumer Segmentation Models are designed and applied as Merchandising and Marketing business strategies. Marketing Touchpoints are identified as where brands touch the customer

Brand Loyalty Marketing Consumer Touchpoints

RELEVANCE To the Consumer ↑ HIGH	Antes	Drivers
	Features Important to Consumers but all Competitors Provide at a Similar Level	Features <u>both</u> Highly Differentiated & Important to Consumers
	Neutrals	Fools Gold
	Features that are Irrelevant to Consumers	Features that are Distinctive but don't Drive Brand Loyalty
LOW	→ HIGH	
DIFFERENTIATION From Your Competitors		

Brand Loyalty Marketing Consumer Touchpoints: Examples

RELEVANCE To the Consumer ↑	Antes	Drivers
	<ul style="list-style-type: none"> • <i>The Promise of “<u>Safety</u>” (Quality) in Airline Ads.</i> • <i>“<u>Clean</u>” Hotel Rooms in Hotel Marketing</i> 	<ul style="list-style-type: none"> • <i>5 minute check in, 10 minute security clearance as maximum wait times.</i> • <i>“Heavenly Beds”...(+ Bath)</i>
	Neutrals	Fools Gold
	<ul style="list-style-type: none"> • <i>Airline Promise of Neat Uniforms on their Associates.</i> • <i>New Maids Uniforms</i> 	<ul style="list-style-type: none"> • <i>Airline Promise of Serving Better French Wines.</i> • <i>Sheets made of imported Egyptian cotton on beds</i>
LOW	→ HIGH	
	DIFFERENTIATION From Your Competitors	

The Brand's Promise As a Retail Operational Guide:

The Ritz Carlton Hotel

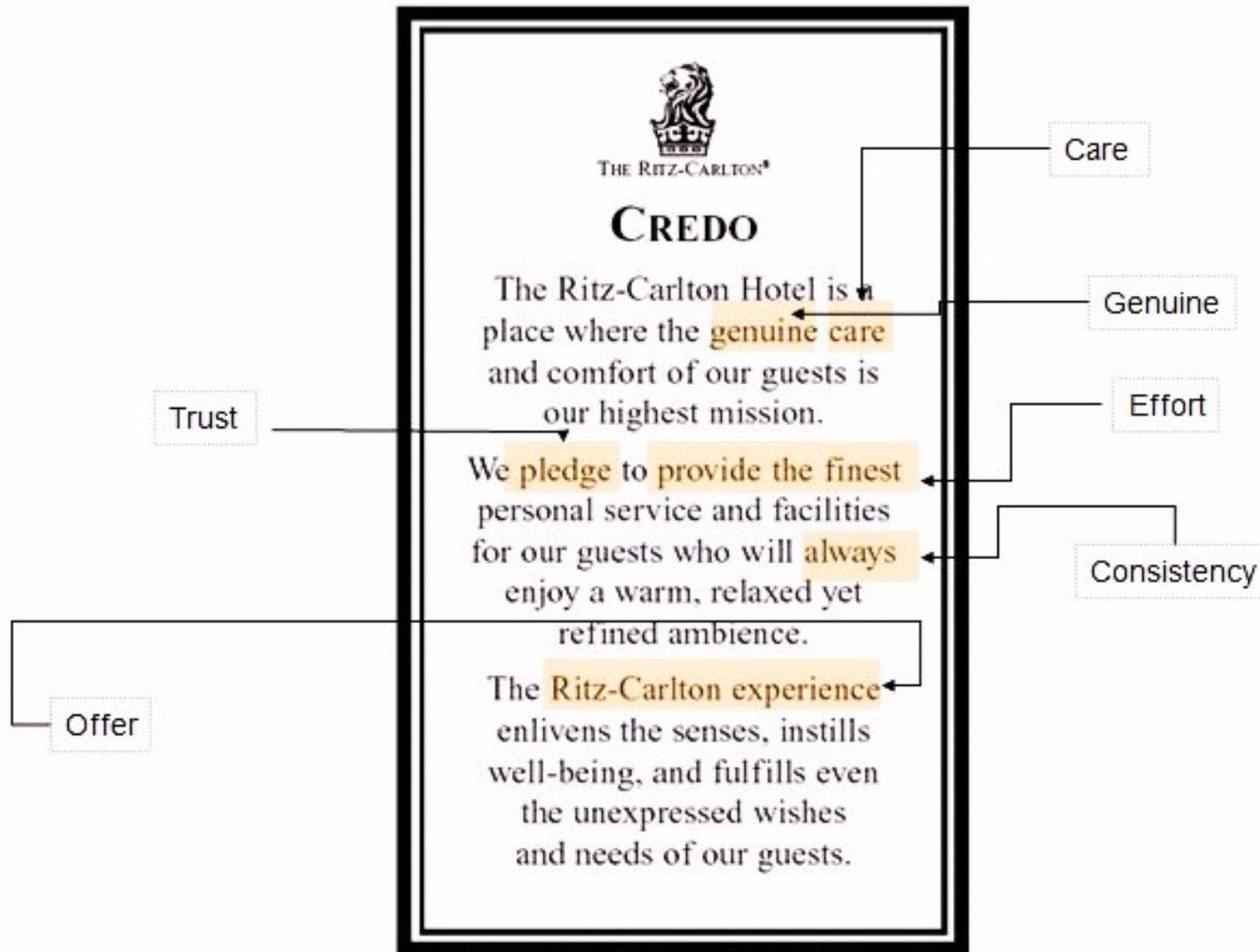
- *All Employees Irrespective of Rank or Position Are Required to Act as Brand Guardians.
- All Hotel Guests are Encouraged to be Guardians.



The Brand Promise, in the Mission Statement called the “Credo”, is read at the start of each business day and a 20 point guidance card is presented to guests and associates !

The Brand Promise

- Study & Deconstruct the Mission Statement



Ritz Carlton 10 Guidelines (of the 20)

1. The CREDO will be known, owned, and energized by all employees.
2. We are “Ladies and Gentlemen serving Ladies and Gentlemen”.
3. The three steps of service shall be practiced by all employees.
4. “Smile” we are on stage”. Always maintain positive eye contact.
5. Use the proper vocabulary with our guests. (Eliminate Hello, Hi, OK folks, and No problem.)
6. Uncompromising levels of cleanliness are the responsibility of every employee.
7. Create a positive work environment. Practice teamwork and “lateral service”.
8. Be an ambassador of your hotel in and outside of the work place. Always talk positive- No negative comments.
9. Any employee who receives a guest complaint “owns” the complaint.
10. Escort guests, rather than pointing out directions to another area of the hotel.

Best Buy®: Excerpts..Annual Reports 2008/2010

- “...(We’ve) been talking about customer centricity for the past 5 year...
- “ Best Buy is being engineered from a product-centered company to one with the capability to provide a trusted perspective...in this digital age “...to solve problems for customers”
- “...a conscious decision to differentiate ourselves from competitors”

More Best Buy...” Our Vision: “Make Life Fun & Easy for Consumers”!

- “ Our business, broadly defined, is about meeting wants and needs of consumers”
- Segmentation model identified 4 main consumer cohorts and then aligned store formats...
- Merchandising and marketing messages different for each...
- Personnel are picked for their unique capabilities & trained to ask relevant questions, identify & then “solve” “The Problem” (aka...meet want or need)...this is the basis for their **Differentiation** Strategy...Segmentation Model for their **Relevancy**

Target®: Excerpts from 2010 Annual Report

- **Brand Mission Statement...** *“Our mission is make Target the preferred shopping destination by delivering outstanding value, continuous innovation & an exceptional quest experience by consistently fulfilling our*

Expect More, Pay Less Brand Promise”

(The Brand Promise is seen as a North Star”)...

*Helping us deliver greater convenience, more savings
and a more personalized shopping experience...”*

(Especially important in Apparel & Fashion retail categories of business!)

Their private brands are mentioned by name & their value underscored

(20 % of Target’s revenues are from Apparel...Walmart's are 6.5%)

The store as a brand is described as: “personal, relevant & rewarding”

Finally, on Brand Image...” *Our brand Image is a critical element in our business strategy”* Contrast this with Walmart's Annual Report

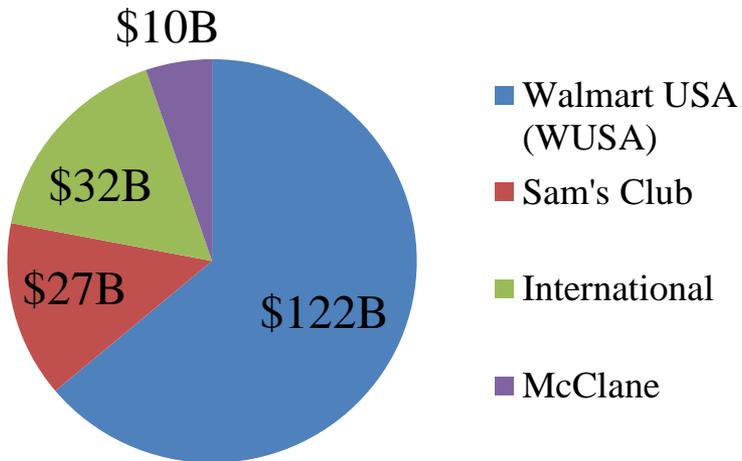
Walmart Annual Report Excerpts: 2009/2010

- **Our Mission...**”*committed to saving people money so they can live better*” ...also appears as their tag line in all marketing material...however
- **There is no mention of the store as a brand or their owned labels in terms of brands...not a one!**
- There is no mention of both Segmentation Models as business drivers & a Differentiation Strategy as a store brand identity.
- **EDLP is conceived of as a Strategy!**...When it’s really an operational tactic derived from logistical efficiencies..Clearly, Walmart is in the logistics business!
- **EDLP can too easily be replicated to provide a competitive advantage...witness the weekly seesaw of prices of 40 household “basket” items from Kroger, Target and Walmart vying for # 1!**

A Decade of Decline: An Overview of Walmart's Apparel Struggle

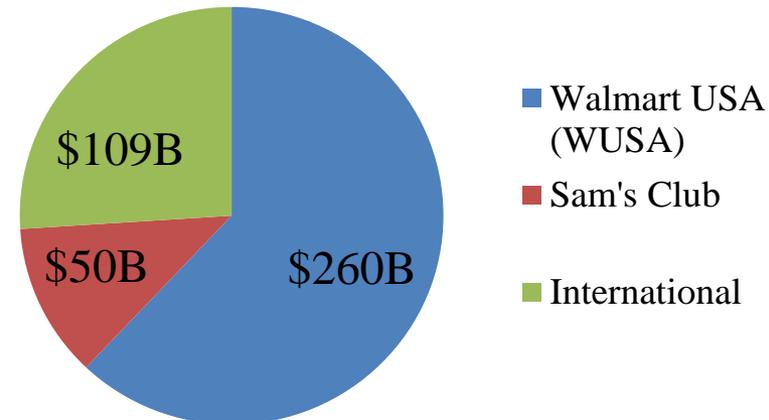
Distribution of Revenue By Business Units

2001 Corporate:
\$191 Billion Revenue



+131% →

2011 Corporate:
\$419 Billion Revenue

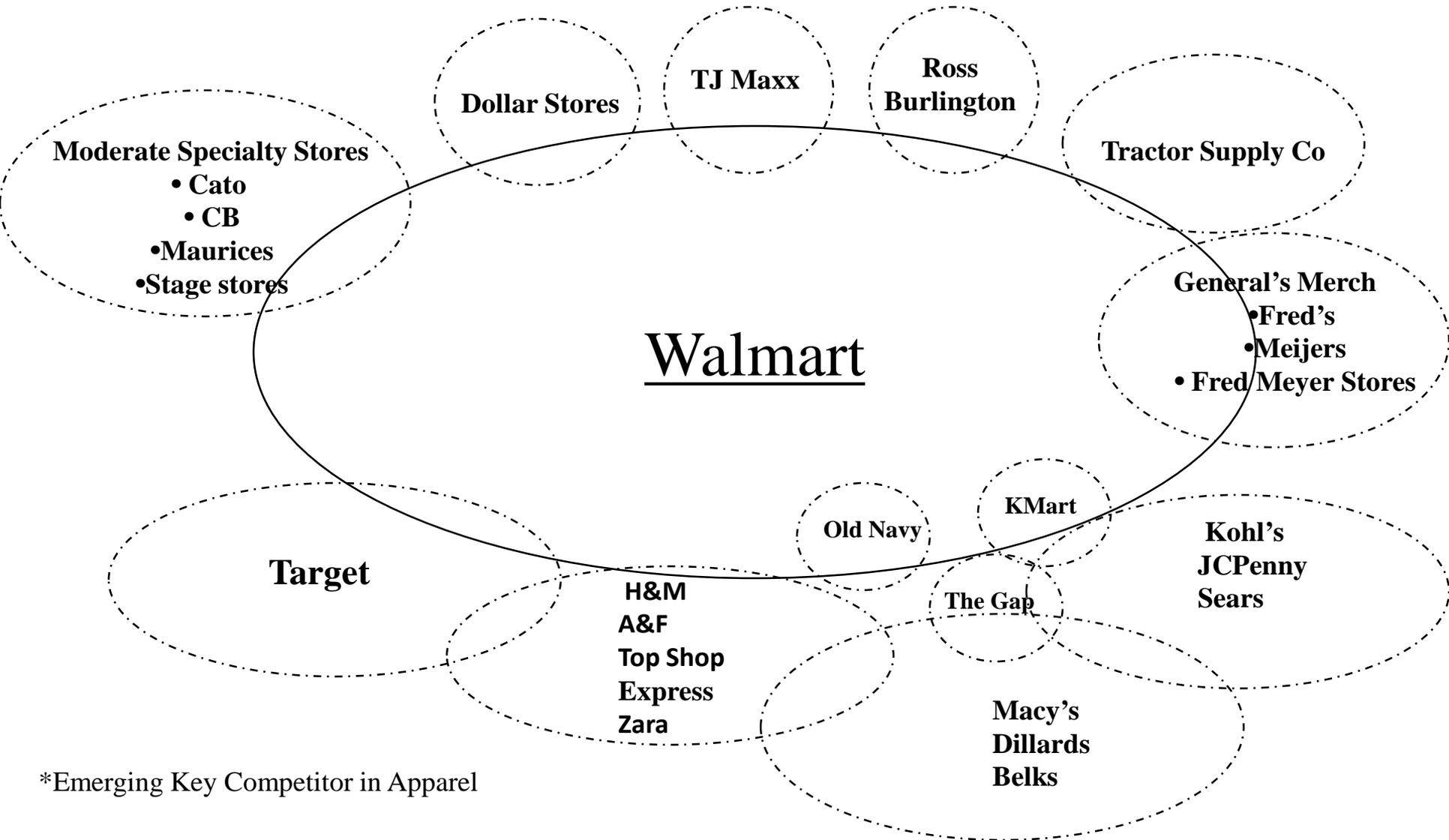


Apparel (WUSA) 2001
11% of Revenues*
(\$13.4 Billion)
* Est+ Industry Sources

+26% →

Apparel (WUSA) 2011
6.5% of Revenues*
(\$16.9 Billion)
* Est+ Industry Sources

Walmart's Competitive Universe: Some Key Apparel Groups/Stores



*Emerging Key Competitor in Apparel

Walmart (continued)

- In response to a query as to the brevity of their mission statement, Duke, responding with some irritation, was quoted as saying:
“...people are not concerned with their mission statement as they are their prices...”
- The absence of a Brand position and strategy & the inordinate focus on price, explains their failure to drive apparel which requires emotional marketing content and brand alignment with designated consumer niches.
- This high margin category has been compromised and under-optimized by a price-driven culture...yet...

Walmart (continued)

- Apparel assortment optimization & brand perception research jointly performed by Affinova® & ApparelAnalytics™ at Waymart's behest in 2009, clearly confirmed a latent apparel opportunity; findings were presented to Walmart in Sept. 2009.
- **Some Key Findings:**
 - -Several Walmart owned brands were perceived as on a competitive preference par with comparable national brands.
 - - These brands/products aligned with specific consumer segments that identified these as “destination brands” for those product categories...
- *These segments coincide with Waymart's very detailed apparel segmentation/brand persona model which could ground & help strategize a consumer brand marketing outreach. The model & supporting data has not, to date been used for business development.*

Dollar Stores

Walmart's “True” Apparel Competitors ?:

A Brief Look at How Dollar Stores Are
Branding Apparel

Dollar General

- Develops/Adopts “**DG**” as a Brand logo for an overarching Brand Strategy
 - **DG** NYSE sticker symbol
- - **DG.com** Purchased from Data General asset owner... beats out Dolce & Gabbana’s claim for its diffusion line (DG);
- Rolls out upscale packaging for store products
 - **DG** Home, Baby, Health & Body ...etc.

Dollar General: Brand Apparel Focus

Re-Launches **Bobbie Brooks**® brand for women's sportswear with a "I am Bobbie" brand marketing campaign...

- aspirational theme of women overcoming personal hardships and professional obstacles

- Uses employees as photo-models who tell their story (Walmart uses employees in ROP ads without a brand or story theme!)

(Irony...Walmart once had Bobbie Brooks as an exclusive brand...!)

Family Dollar

- Corporate wide re-focus on apparel Feb 2011
- Reconfigures women's sportswear departments to coordinate tops and bottoms
 - - supported by extensive market research
- Discover that Mom's willing to pay a bit more for quality for their kids...even though discretionary income is down
 - - “**Kidgets**” in house brand of childrens wear gets a facelift...plans to extend the business!
- Apparel & accessories sales up 5% over YTD 1st Q

Brand Engagement: Successful Brands Practice Experiential Marketing

- **“Involve” their Customers**

 - P&G

- **“Romance” their Customers**

 - The Peterman Catalog

- **“Delight” their Customers**

 - KLM Airlines

https://www.youtube.com/watch?v=Sh-JRoY7LU&feature=player_embedded

Delighting Your Customers

- https://www.youtube.com/watch?v=Sh-JRoY7_LU&feature=player_embedded

Maurice's 800 Stores

- **Positioning:** “Hometown specialty store for savvy, fashion conscious girl with a 20 something attitude”
- Tag-line “*Life’s a fashion Runway*”
- 2001 - Lost Brand Focus- Recalibrated
- 2006-2012 – Record Growth & Earnings
- 2010 – Voted one of the “10 Best employer’s in retail”- Forbes
- (Sharing spotlight with Nordstrom, Coach, REI, Christopher & Banks, and others.
- 2011 Taps “Project runway” winner for merchandising/
marketing campaign
 - Christopher Staub – Exclusive... hometown boy – (born and lives in Minnesota near Maurice’s HQ)

Gap Inc: 2010 Annual Report

- *“Our ability to develop and evolve our existing brands is key to success.”*
- *“ We believe our distinct brands are our most important assets”*
- *“ We continue to invest in our brands & enhance the customer experience by...*
 - Remodeling of existing stores
 - Opening up new stores
 - Closure of underperforming stores
 - Internal expansion
 - Enhancement of online shopping
 - Additional investments in marketing
 - Focus on customer service
- **The above are not brand strategies...they are operational strategies...Not a word about:**
 - Relevancy
 - Differentiation
 - Engagement

Nordstrom: 2011 Annual Report :

President's Opening Letter

“The Store Experience:” Nordstrom as the Brand

- “ *The foundation of our company is personalized service and the one-on-one interactions that take place everyday in our stores.*” ...***nothing can replace the human connection that our salespeople create with customers.***”
- *We follow a customer-centric merchandising strategy...as opposed to a brand, product or price-driven strategy.*”
- **Engagement & a Sense of Community is key!**

Brand Communities As A Business Strategy

- **Building Brand Communities is not a marketing function per se – It is a Business Strategy aligned with Corporate wide goals.**

Success

- Case Study: **Harley Davidson® 1985-2011 &**
 - **“The Brotherhood of Riders”**
 - 1985 On the brink of bankruptcy
 - By 2001 record sales and profits
- A Robust Segmentation Model Identifying the Community (born from Customer Research) made the difference!

Online Retail Communities

- **Engagement** helps engender communities – which helps define target customers, loyalists & advocates
- Brand evolves accordingly through consumer interplay w/ Brand management
- *Caveat* **“Followers”** is not synonymous with **“engagers”**
- **“Engagement”** is a quantifiable metric which moves the purchase and profit needle
- *Example:* Walmart has most social media users (over 10,000,000) Target with a fraction of “fan counts”, tied with Walmart last month in “fan posts”...*social media users is not the same as engagement!*
 - Reported as **“Engagements”** – beware of “mushy metrics”
 - **Engagement** needs to be correlated with monetary outcomes

The Financial Return on Employee/ Customer Engagement

- “... research shows that companies that score above the 50th percentile in engagement tend to deliver 70% higher financial results...”*
- When both employee + customer engagement exceeds 50th percentile, the measure jumps to 240%...and higher financial results! – **Gallup MGT Journal 2010**

Conclusion: The Business as the Brand: What Successful Retailers Do

- **Brand Positioning**: Identify True Competitors!

Who your customers choose when they don't choose you

- * **Consumer Brand Research**: Identify True Needs & Wants

Focus on niches & aspirations/product classes & cohorts

- * **Brand Persona**: Truly Differentiate & Emotionally Engage

Identify/convey Who you are, not What you are... Get Personal!

- * **Brand Touchpoints**: Identify truly Relevant Retail Experiences

What 's highly important to Core & Key Customers