RETAIL Rules!

52 ways to achieve retail success

by KEVIN COUPE

illustrated by STEVE HICKNER

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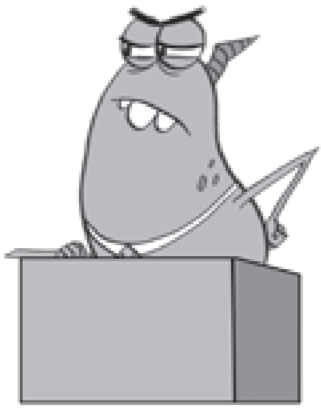


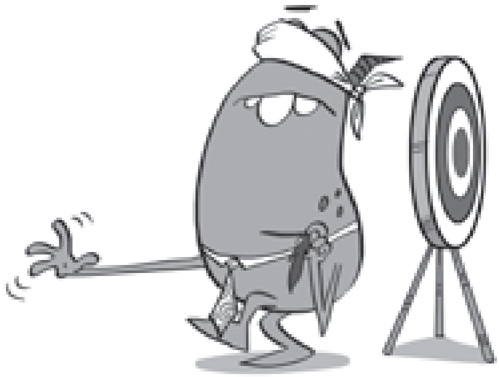
BRIGANTINE MEDIA

The Rules

The Rules

RULE
1

Have a vision.



LEADERSHIP SHOULD BE able to sum up its goals for a retail entity in one sentence. Or a couple of short sentences. Really short sentences.

That's vision.

As in . . .

"To be the world's most respected and successful designer, manufacturer and retailer of the finest jewelry."
—Tiffany & Co.

"To be the premier quality food retailer in the world."
—Publix Super Markets

"Our vision is to be earth's most customer centric company; to build a place where people can come to

find and discover anything they might want to buy online."
—Amazon

"Our goal is to provide outstanding service every day, one customer at a time."
—Nordstrom

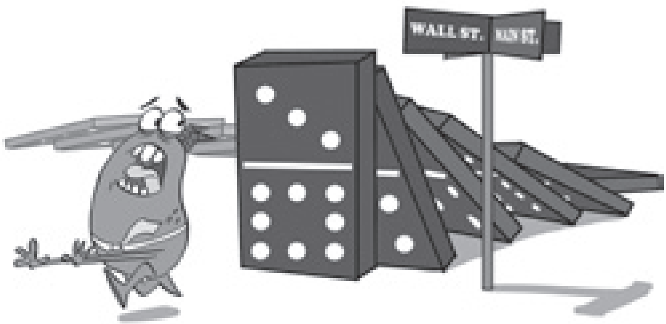
"We treat strangers like friends and friends like family."
—Bob Evans

A strong vision sums up priorities in just a few words. The vision may have to do with products, or employees, or customer service. But this simple statement is like the North Star—a fixed point that allows you to navigate successfully through almost any situation.

Manage for Main Street, not Wall Street.

I'M NOT HERE to suggest that the investor class should be ignored. Far from it.

I'd argue, however, that in these times of intense and increased competition, investors and analysts, as well as boards of directors, need to adjust their expectations about CEO priorities when creating a successful and sustainable business model.



Jim Sinegal, the former chairman/CEO of Costco, always said that he was not going to pay attention when analysts suggested that if he would just raise prices a bit, increase margins a smidge, and pay his people a little bit less, he could boost profits, which would result in a higher per-share price.

No, Sinegal said. His job was to make sure shoppers would continue to buy from Costco, which meant keeping prices as sharp as possible, and to make sure that employees were buying into the Costco vision, which meant paying them a living wage and providing generous benefits.

Take care of Main Street, Sinegal said, and Wall Street will take care of itself. (He was right.)

RULE

3

Tactics are different from strategy.

I ONCE SAT through a regional retailer's meeting about strategy and tactics. As an outsider, I was hired to serve as a "B. S." detector (their phrase), keeping them honest and focused about what needed to be done.

The company's CEO stood up and said, "Today, we're going to lay out 137 strategies for how we are going succeed in the coming year."

I raised my hand.

He looked at me, surprised. "Already?"

"Yup," I said. "You can't have 137 strategies. And even if you did, there is no way you can act on them all in one year. Most great companies have a few strategic imperatives, and then create tactics through which those strategies are implemented."

The vast majority of the company's "strategies" were, in fact, tactics (134 of them, if I recall correctly).

Do you know the difference between strategies and tactics?

"Improve customer service" is a strategic goal. "Have checkout personnel greet customers by name whenever possible" is a tactic you employ to reach that goal.

"Get customers to come into the store more often" is a strategic goal. "Create a loyalty program" is a tactic.

"Encourage customers to purchase more each visit" is a strategic goal. "Cross merchandise" is a tactic.

Get the difference?

RULE

4

The fish stinks from the head(quarters).

THIS ONE IS inspired by one of the world's iconic retailers, Feargal Quinn, founder of the Superquinn chain of supermarkets in Ireland.

From the beginning, Feargal established that Superquinn's main office would not be known as "headquarters."

Nope. In fact, if anyone on the executive team referred to that office as "headquarters," they had to pay a small fine.

Rather, that building—where all the top executives had desks and chairs and conference rooms—was officially known as the "Superquinn Support Office."

Because that's what they did: *Support* the stores.

Feargal understood that a headquarters-centric retail business was one that by its very nature

would have inappropriate priorities. By formalizing the company's priorities in two words—"Support Office"—he made sure that everybody's eyes were on the right ball.

RULE
5

Timing is everything.

RETAILING IS KIND of like surfing. You have to catch the wave in just the right way, or you fail.

Consider the case of Borders in 2001, which didn't understand the then-nascent appeal of e-commerce. Rather than investing in it, Borders decided to outsource its online business to a little Seattle company called Amazon.

Or the case of Circuit City, which totally misread the marketplace—it opened too many stores throughout the 2000s; it stopped paying commissions to salespeople in 2003, who then stopped being as productive; and it became reactive to the marketplace

with little evidence of innovation. It missed the tsunami created by the Apple Store.

Or the case of Blockbuster, which was so consumed with building its video rental business with stores around the country that it missed the competitive threats from new companies like Netflix in 1997 and Redbox in 2002.

Compare this to Staples, which is trying to remain relevant today by upgrading its online business, closing unproductive stores, offering in-store pickup the same day as products are ordered online, and rolling out touch-screen kiosks in stores to offer a broader array of products.

It is too early to know whether Staples will succeed, or if it is too late. But unlike Borders, Circuit City, and Blockbuster, it is still out there, paddling away, trying to catch the wave.