

# ChannelWeb

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## 5 Maxims For The New Retail Landscape

Retailer attendees at the National Retail Federation Convention and Expo in New York on Tuesday got a long look at some sobering, yet potential action-item data points from the 2008 National Shopping Behavior Study—a survey of 815 U.S. consumers and their shopping trends conducted during the heaviest week of the December shopping season (Dec. 7-Dec. 15, 2008). They included the following, as explained by John Rittenhouse, chairman and founder of Cavallino Capital:

- \* 55 percent of consumers reported spending less than in 2007.
- \* In 2000, 15 percent of consumers spent most of their money in department stores, and in 2008, that number was down to 6 percent.
- \* For the first time since 2000, price has become more important than selection for consumers.
- \* Despite macroeconomic changes, customers' rules for loyalty—retailers having merchandise in stock, retailers having helpful people available, retailers having a friendly returns policy and retailers having fair, everyday prices—are still largely the same.
- \* Most consumers don't care about discount coupons, loyalty rewards and delayed-payment pricing plans.
- \* 69 percent of consumers plan to spend less in 2009.
- \* Only 12 percent of consumers expect to be worse off financially in 2009; 40 percent expect to be better off.

The most interesting statistic, to Rittenhouse?

Fifty-eight percent of consumers ages 18-24 plan to spend more in 2009, whereas almost 80 percent of consumers ages 35-54 plan to spend less.

That younger group, Rittenhouse said, "is your target audience. They are still less encumbered than older people."

Rittenhouse and Robert Gordman, president of The Gordman Group, offered the following takeaways among their recommendations to retailers:

### **1. Demographics Alone Will Not Win The Day**

"We're a society of demographic mutts," said Robert Claxton, senior vice president of marketing for overstock giant Big Lots.

Really, the customer is a mix of demographics with psychographics: lifestyle choices, spending habits, sales channel preferences, attitudes and other attributes for which traditional demographics are only one set of a wide range of variables.

"If you're looking at demographics only," Gordman said, "you do not understand your customers."

## **2. Customer Impartiality To Channels Is Your Inroad**

In the survey's look at which consumers prefer which channels, more than half of the respondents (56 percent) indicated "no preference" or "I don't know," Rittenhouse said.

Don't let that be discouraging, he explained—it doesn't mean your online strategy is failing. "You have the opportunity to attract those customers," he said.

## **3. A Customer Sweet Spot Is Not The Same As A Niche**

Gordman explained the concept of the "super sweet spot"—a highly specialized form of customer targeting whose success stories, he suggested, include Wal-Mart, Apple, Intuit, Big Lots, Target and women's sportswear company lululemon. Developing that sweet spot requires proper leveraging of customer preferences, the right value equation, the right sales/margin productivity model, the right employees, the most effective communications and other factors.

"It's a total concept designed to serve a specific group of customers in a very specific way," Gordman said. "A niche is not a super sweet spot. Wal-Mart and Target are in the same niche. Best Buy and Circuit City are in the same niche."

## **4. No Company Can Serve Every Customer**

"The mentality of 'any sale is a good sale' is a formula for disaster," Gordman said. "Successful retail now starts with an intense knowledge of the customer you choose to serve. Most retailers use real shotgun advertising to do business. If you're not getting the right message to the right consumer, everything else you're doing is a waste. And that's a lot of your budget."

## **5. In An Age Of Numerous Choices, Focusing On Competition Is Unproductive**

"Quite frankly, competing is a horrible waste of time and a distraction," Gordman said. "Successful retailers serve customers. Successful retailers do not 'beat' the competition."