

APOCALYPSE? WOW!

By Anne Marie Soto, Retail Marketing Society



The reports of retailing's death have been greatly exaggerated. Many retailers are deciphering winning formulas for success and are delivering record results while others remain slow to adapt or cannot find the "right" way forward. At a recent Retail Marketing Society meeting, Jan Rogers Kniffen, CEO, J Rogers Kniffen WWE and a frequent contributor to CNBC, and Robin Lewis, CEO of *The Robin Report*, weighed in on the forces at work in the marketplace.

What are your thoughts on the current state of the economy?

Kniffen: Despite a consumer outlook that is as healthy as it has been in 25 years, as we finish out 2018, we are still going to see record store closings and record retail bankruptcies. The retail apocalypse is not over but it is changing in character. It is so much easier to be a retailer when the consumer is fabulous, but the unfortunate result is that there are a lot of retailers out there who think that they have actually solved their problems. It turns out they are standing on third base because there was a pass pitch.

Lewis: I totally agree. The apocalypse is not over for many. For the rest, I'd call it a renaissance, but since we're in the very early stages of this technology revolution, it's hard to identify which retailers are going to make a successful transition into this new world. Legacy companies, like Macy's, the GAP, Saks, etc., have a real challenge. Four barriers for all these legacy companies are leadership, culture, capital, and speed. Macy's has leadership, culture, and capital. They would say the biggest fear they have is speed because they know that nine out of 10 start-ups will fail, but even one out of every 10 adds up to a bunch of speedboats that are going to be taking a big chunk out of these legacy stores. Speed is why Walmart is blowing up the whole model—try fast, try often, fail fast, move on.

Where is the experience economy going?

Kniffen: Retailers are learning to play in the experience economy. Malls used to be built with restaurants, etc. to give people a rest from shopping. Now malls are built to be filled with restaurants and the hope is that people will also buy something on the way out. It has become an experiential economy—that's the reason Macy's bought Story. If traditional retailers don't have the money to invest in experiences, they are toast.

Lewis: The first thing we need to do is extract two words from our heads: retail store. What automatically comes to mind is a big building full of stuff. We have to start using different language—maybe call it a platform. You can do anything in that platform. Have experiences. Lease space to competitors and have actual shops right on the platform. Look at Amazon. They are a platform. Globally they can put anything and everything on there. I predict we're going to see designer brands going on Amazon and Walmart for two reasons: 1) they can't ignore the millions

and billions of traffic; 2) the incoming new, young consumers are brand and channel agnostic. If they see something they like, they don't care where it comes from. The idea that Walmart is a discount store and Amazon is cheap is all going to go away. Everybody is going to be operating on everyone else's distribution platform. The customer expects you to be engaged with them from the time they're thinking about shopping all the way into the store, through the store, through the consumption experience, and afterwards.

What do you think will be a successful strategy for brands?

Kniffen: I'm a much bigger fan of brands than I am of third-party sellers of brands. Yes, I love Tapestry, Michael Kors, PVH, VF, etc. because they have something the consumer wants. If you're a third-party seller for them, you can try to put your assortment together and make it all work. However, if you're the brand and you can take it direct-to-consumer, as Nike just showed us last quarter, you get a lot more of the bottom line. All you have to do is sell it the best you can on the website. What really matters is, can you get the eyes on the site? That's why Robin is right—because the platform is going to be Amazon, it's going to be Walmart, it's going to be places where the consumer is already going.

Lewis: Brands need to stop looking at digital and brick-and-mortar as two separate entities. They need to start looking at their platform and being both digital and physical. The capital investment needs to continue to go in both. If they can't do it, they are going to be out of business.

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