



# *talking* SHOP

wonder what makes  
shoppers tick?

5 retail SUPERSTARS reveal how to please  
customers and, more important, how to  
keep them coming back for more.

By Elizabeth Goodgold

**IN THE ZONE:** To get sports fans  
spending, ESPN Zone creates a  
sports-centric environment where food,  
merchandise, TV broadcasts and more  
all reinforce the brand.





**I**s it a trend or a fad? Will it sell or wind up on the clearance rack? Will it turn my customers on or off? These are questions retailers face every day. Make the wrong decision, and witness a sales dive. Make the right decision, and become a retail hero.

Assembled here are a diverse group of retailers: ESPN Zone, Hot Topic, Starbucks, Anthropologie and Build-A-Bear Workshop. Each one is succeeding because it has discovered an innovative solution to a unique retail problem. Read closely to find out how to target a fickle customer, develop an enduring brand, create a destination, sell a lifestyle and build a relationship with your clientele.

## ESPN ZONE

### THE POWER OF THE BRAND

When you step foot into any of ESPN Zone's eight locations, you know you've entered a place like no other. Huge HDTV screens broadcast nonstop sports, an enormous glacier wall tempts you to climb to the top, and interactive sports games urge you to compete.

This is a world where the ESPN brand is king, and you never forget it. From live ESPN TV and radio broadcasts from the restaurant to its aptly named Season Ticket Holder frequent dining card, the establishment is a veritable shrine to the sports-frenzied fan.

ESPN Zone understands the connection it has with its core audience of males between the ages of 25 and 39. Its menu boasts the ESPN Burger, the Zone Cheese-steak and a full pound of chicken wings. Visitors, of course, have ample opportunity to purchase branded merchandise, allowing them to become walking billboards.

In essence, ESPN and ESPN Zone are one, or, as George Whalin, a retail expert with Retail Management Consultants in San Marcos, California, explains, "ESPN Zone has created great synergy between the franchises."

If the ultimate goal of branding is to create an emotional relationship with your customers, then ESPN Zone has succeeded admirably. It presents a case study of how you, too, can create a retail environment where your brand is reinforced through all five of the senses: Ensure that within all lines of sight your brand name and colors are prominently displayed, choose music appropriate for your target demographics, tempt your

customers to touch the merchandise, encourage sampling in a food-based establishment and (if applicable) infuse the environment with a compelling scent.

The never-ending sports coverage at ESPN Zone "[keeps] the wallpaper changing every day," says John Pierce, the company's director of marketing and creative content. "Our coverage gives customers something new to talk about every day." The entire experience encourages diners to linger an average of about 90 minutes. And the longer they stay, the more they spend.

## HOT TOPIC

### KNOWING ITS TARGET TO A T

It's 9 p.m. Do you know where your teenager is? If she's into punk or goth (short for gothic), she's probably hanging out at Hot Topic, the retailer for this fickle market. "Come in or you suck" challenges a welcome sign that lets you know you've entered a world targeted toward 12-to-22-year-olds. Surrounded by brands such as Morbid Threads and Vamp, excruciatingly loud music, racks upon racks of body jewelry and tons of insulting T-shirts (like "Wow, you're ugly" and "I know how you feel, I just don't care"), the stores exude attitude. More important, Hot Topic rings up big sales.

With 418 stores, annual sales of \$443 million and consistent double-digit quarterly growth, clearly this chain has discovered a key retailing secret: Know your target better than anyone else. How does Hot Topic do it? By encouraging employees to report on trends, paying buyers to attend teen venues and events, religiously responding to the 1,400 e-mails it receives each week, and stuffing a Report Card (comment card) into every shopping bag. All managers, including CEO Betsy McLaughlin, read the scores and comments and make adjustments to the merchandise accordingly.

Since the teen scene is so heavily influenced by music, Hot Topic also sells CDs and patrols concert halls to discover the band of the moment. By working with U.S.-based suppliers, it can jump in and out of fads quickly.

One of this retailer's greatest strengths is its low mark-down rate—less than 10 percent of sales. It's achieved, of course, by understanding its consumer. Teenagers are often spending someone else's money and are there-



PHOTO COURTESY: HOT TOPIC PHOTO COURTESY: STARBUCKS



## LIGHT UP HOLIDAY SALES

It's not too late to implement changes to help your all-important fourth quarter. Try these quick fixes:

♦ **Change your window displays often.** Research shows the more often your store highlights new merchandise, the more often a browser will turn into a buyer.

♦ **Introduce a gift card.** Cards provide a guaranteed no-hassle, no-return gift option. And they often entice customers to spend more than the card. Plus, don't forget that 5 to 10 percent of cards are never redeemed.

♦ **Offer convenience services.** Can you offer gift wrapping, shipping or coat check free or at a nominal charge? How about stocking holiday cards or free notecards?

♦ **Create inspired groupings of merchandise.** Grouping multiple items together often encourages customers to buy exactly what they see.

♦ **Stock an array of impulse items.** This is the time to load your front counter with little items customers often purchase at the last minute.

♦ **Offer an incentive.** With every fixed price limit (for example, \$100), offer a coupon good only during the slow January season.

fore less price-sensitive. Management smartly encourages the sale of gift cards in lieu of merchandise and has introduced licensed gift cards featuring images such as SpongeBob SquarePants and the rock group Korn. The cards act as collectibles, so the unredeemed rate surpasses the industry average of 5 to 10 percent, further contributing to profitability.

## STARBUCKS

### CREATING A DESTINATION POINT

Starbucks CEO Howard Schultz often recalls the moment in Milan, Italy, when he knew he could turn his dream of great coffee within a cafe environment into a destination point selling \$3 cups of java. He has created a brand so desirable and a customer base so loyal that the average Starbucks consumer visits a location 18 times per month! But how does Starbucks keep what it internally refers to as "enthusiastically satisfied customers"?

One way is through its friendly environment and comfortable seating, which encourages drinkers to visit with friends, catch up on reading or merely relax. The recent introduction of Wi-Fi, allowing users at 2,000 stores to connect to the Internet, not only encourages lingering, but is relevant to its cosmopolitan customers.

Just as important, Starbucks continually brews up new ideas. Earlier this year, the company announced a twist on the gift card: It teamed up with Bank One to create a Starbucks credit card that also functions as a rechargeable store card. Its debut of the Artist's Choice CD series, featuring musical talent from Tony Bennett to Sheryl Crow to the Rolling Stones, adds another revenue stream while honing its hip appeal.

Starbucks has adopted a saturation strategy to offer a convenient way to connect to the brand. It has licensing deals with Kraft for the production and distribution of its products to grocery stores and agreements with

Albertson's Inc. for store-within-a-store concepts. The company also has arrangements with Host Marriott International for airport kiosks and is opening stores virtually next to each other to increase brand awareness, create operational efficiencies and provide faster customer service.

In addition, in every one of its 6,000 coffeehouses in 30 countries, Starbucks is committed to giving back to the community. With net earnings of \$215 million for fiscal 2002, it follows in the footsteps of Ben & Jerry's, proving that you can do well by doing good.

Says Gary Wright, retail marketing consultant with direct marketing and fulfillment company GA Wright Marketing Inc. in Denver, "Obviously, the brand has extended beyond the coffee; customers are willing to pay a premium for the experience."

## ANTHROPOLOGIE

### SELLING A LIFESTYLE

Anthropologie doesn't sell merchandise—it sells a lifestyle. Founder Richard Hayne took lessons learned from his successful creation of Urban Outfitters, which sells hip clothing and accessories for twentysomethings, and transformed them into a concept where the focus is not on the fashion of the moment, but on merchandise that soothes women's souls while getting them to open their pocketbooks.

Anthropologie stores are a carefully orchestrated attack on the senses, from the French music to the aromatic candles burning to the rough-hewn signs throughout. Each retailing quadrant acts as its own island, displaying a theme and flavor all its own. Customers enter "The Washroom" and find exotic soaps, lotions, dispensers and even a medicine cabinet for sale. They step into "The Boudoir" and discover sumptuous sheets, duvet covers and pillows luxuriously displayed on a wrought-iron bed (also available for purchase). In fact, selling the props makes the stores seem as if the customer has uncovered a rare artifact—a piece that she alone can own.

The store flies in the face of traditional retailing: It focuses not on one category of goods, but on disparate merchandise that's centered around a theme. Books, clothing, jewelry and patio furniture can be found there. As market expert Jon Schallert of The Schallert Group, a management and marketing consulting firm in Sorrento, Florida, explains, "a 'controlled clutter' design works because





it keeps the customer interested." He advises his own clients to display merchandise in an unconventional way so the customer discovers the merchandise as if on a special treasure hunt. Anthropologie has mastered this strategy.

To foster originality in each of its 50 stores, Anthropologie hires two artists for every location to create art unique to that store. This helps bolster the image of Anthropologie as an independent, free-spirited retailer, not a cookie-cutter franchise.

Anthropologie's buyers are on a mission to scour the globe for interesting, relevant and unusual items for its core customer. They see her as a professional woman aged 30 to 45, well-read, well-traveled and well-educated, with a household income approaching \$200,000.

And she is a devout fan. Customers spend an average of \$80 per visit, leading to average sales per square foot of approximately \$600—not bad for a store that is all about creating a mood.

## BUILD-A-BEAR WORKSHOP

### CREATING A RELATIONSHIP WITH CUSTOMERS

Who would have thought creating teddy bears could generate revenues in excess of \$160 million in 2002 alone? Founder Maxine Clark of Build-A-Bear Workshop sure did. Her strategy was to target girls up to age 12 and let them select, stuff, stitch and dress a teddy bear (or one of the other stuffed animals they offer). What's the goal? "To create memories," Clark explains.

Although bears start at just \$10, souped-up versions with sound, clothes and shoes can ring the register at \$50. By acting as a fashion retailer with seven changes of merchandise per year, the Workshop lures its customers back an average of five times per year, resulting in sales per square foot of twice the industry average.

One of its unique marketing strategies is the Build-A-Party concept: Host a birthday party, and introduce new guests to the franchise. The tactic creates contagious awareness.

As part of its tireless research, Build-A-Bear discovered its customers wanted to dress their bears just like themselves. And the No. 1 retailer the girls selected was Limited Too. The two retailers share similar demographics and are often retail tenant neighbors. In February of this year, Clark inked Limited Too's first brand

## YOUR SERVICES ARE REQUIRED

Many a service professional has said selling a service isn't like selling a product, but isn't it? Try some of these tactics to help you bolster sales.

◆**Use an expiration date.** Virtually all retailers offer a coupon or promotion that includes an expiration date—the longer the time period, the higher the redemption rate. If you're trying to motivate your customers to act quickly, put a short timeline on your proposals.

◆**Bundle your services.** Using the Costco approach, price your services according to how many your customers buy. The more they buy, the steeper the discount.

◆**Employ upselling.** Retailers like Claire's, a fashion accessory chain, offer a surprise goody bag with every purchase for just \$1 more. Nordstrom offers ties when it sells shirts and socks when it sells shoes. Encourage your customers to purchase more by asking if they need any additional services at the end of every contract.

◆**Give a free sample.** Cinnabon isn't the only company that can offer a free taste. Offer your customers a complimentary audit, in-home survey, evaluation or any other introduction to your services. And don't forget to give speeches in your area of specialty—the ultimate sampling technique.

extension, affording each retailer the opportunity to promote and sell the other's merchandise both in-store and online, providing innovative cross-pollination of customers.

The company also fervently embraces causes relevant to kids and animals. It is part of a partnership with the World Wildlife Federation and The Humane Society, donating a portion of its proceeds on selected merchandise. Retail strategist Whalin concurs with its philosophy: "The company that understands cause marketing today will do very well."

## LESSONS TO BE LEARNED

What did each of these five retailers do exceptionally well? They transformed their brand into an experience. Translating the ESPN brand to ESPN Zone has provided an outlet for like-minded sports fans to share the excitement of a game. Tempting angst-ridden teens with macabre and sarcastic apparel has allowed Hot Topic to shatter retail records nationwide. Grabbing a cup of java at Starbucks has less to do with what's in your cup than with the relaxing environment. Stepping into the world of Anthropologie is like stepping into an international oasis, replete with faraway sounds, smells and merchandise. And creating a birthday bear at Build-A-Bear Workshop becomes a treasured memory.

Instead of trying to be all things to all people, these merchandisers zeroed in on a niche target and never looked back. They mastered the nuances of their demographics, psychographics and geographics to bring the right products to the right customer at the right time. ■

ELIZABETH GOODGOLD is Entrepreneur's "Marketing Buzz" columnist.

