
State of Retail

Looking for the Light

By Garrett Lai

They say perception is reality, and if that's true we've started turning the economic corner. Without exception, everyone we spoke with for this year's State of Retail feature was looking for reasons to be optimistic. And while the economy itself is down compared with last year, there really are signs that things are getting better, from such diverse sources as the National Retail Federation and the U.S. Census Bureau. But there's no denying this is a very different economic landscape from last year, one that demands a different, smarter, more aggressive way of doing business.

Tougher Market, Smarter Retailers

Shopping habits have changed markedly, and retailers have had to adapt.

"Sometime after September, although we didn't really feel the recession in our stores through the fall, thankfully, we could sense change coming. Our customers, they always felt that if they had to have a \$300 jacket they just bought it. And then when Anderson Cooper mentioned for the ten-thousandth time that we're in a recession it finally stuck, and things changed," said Mike Fowler of Uncle Dan's in Chicago, IL. "This year, it's chic to be cheap."

"Americans have put themselves on a budget," said Randy MacKenzie of Edwards Luggage in San Francisco, CA. "We are seeing a new consumer who is adopting a new way of thinking about what they buy, shopping with more discipline, focusing on the products they need rather than something they want." Customers are walking in with more focus, and less of a just-out-to-shop mentality. They're shopping with purpose, and cut right to the chase. "Almost every request begins with 'Show me the lightest-weight luggage you have,'" noted Jay Friedman of

Lazar's Luggage Superstore, Sherman Oaks, CA, who's also noticed the shift from casual shoppers to people who are out buying for a specific need.

The National Retail Federation's *Retail Sales Outlook* for Winter 2009 warned that sales of durable goods — which for the purposes of our industry would be luggage — dropped markedly, as consumers try to make what they have last. "Customers that are buying new luggage are buying for one of two reasons," observed Chuck Weisbart of It's...in the Bag!, Palm Desert, CA. "They have to have a bag because they don't have access to what they need without making a purchase, or the weight differential between what's available now and what they have in personal inventory is a significant 3-5 pounds or more."

And with airlines actively enforcing baggage overweight fees, it only takes a couple of trips to amortize the added cost of an upgrade to a lightweight selection.

The new purpose-driven shopper is also a tougher sell. "Customers aren't



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as apt to say, ‘I’ll take it’ immediately,” observed Sam Hirsch of Tripquipment in Falmouth, ME, noting that customers are making much more considered purchases and fewer impulse buys. “Eighteen months ago we were able to suggest add-on items more successfully than today,” said Jeff Izenson of Specialty Luggage, Pittsburgh, PA. Consumers, even those with ample resources, are reluctant to spend it on ancillary items that would be considered luxury items.” And it’s not an isolated observation. “We see much more push back on trying to entice the customer into additional products, other than the item they came into the store for,” said MacKenzie. “Customers say they like the suggested items but they have to ‘be good’ and keep their spending under control.”

“This is where the TGA Travel Goods Specialist Program has saved our bacon,” said Weisbart. “When our customer starts to move toward the

register, my staff — all Travel Goods Specialist Program graduates — start asking the customer about their trip in more detail, and the difference between what the customer sees as the end of the transaction and when our staff actually closes that transaction is astonishing.”

Value Rules

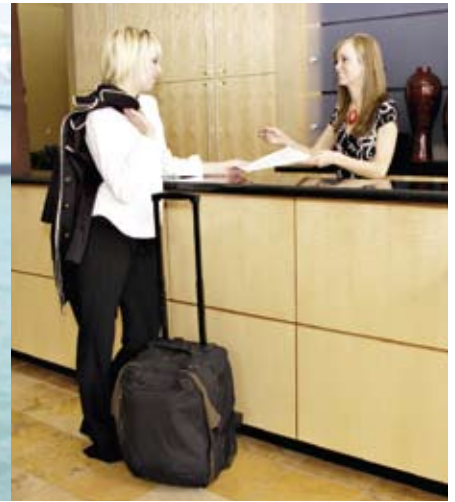
Customers have also become more demanding — they want value, and they want what they want. “We’ve really tried to know exactly what the customer wants,” said Fowler. “If they want 22” rollerboards, we don’t bring 24” rollerboards in, we give them what they want.”

“I don’t know that customer shopping habits have changed,” said Colleen Coe of AAA Travel Store, Oregon. “But now they’re wanting a deal, wanting to know when something’s coming on sale, they’re demanding value.”

“We are selling lots of Delsey right now,” said Izenson, when asked about whether he’s seen a shift in consumer demand, adding, “We didn’t stock this price point 18 months ago.”

But value doesn’t just mean less costly brands. “People are still looking for strong brands, they know there’s good value with strong brands,” noted Peter Cobb of eBags. “Tumi’s done well for us, as well as Victorinox and Vera Bradley.” MacKenzie also sees the same phenomenon at her store: “Our top brands remain the same, but within those brands we’re selling more of the lower-priced series. This is due to price, but also to the fact that the lower-priced series are also lighter weight — we’re selling more Swiss Army Werks than NXT, due to the demand for price and weight.”

And value continues to drive add-on and accessory sales. And because most add-on sales use a function-driven approach it’s not surprising to see little



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change in terms of what's moving in this department. “Our top accessories haven't changed,” observed Izenon. “We still sell lots of suitcase scales, TSA locks and travel plugs.” Weisbart's number one accessory is his Tude Tag luggage ID product line, with number two being Eagle Creek's Pack-It® system and the number three slot going to ExOfficio's Give-N-Go underwear, all function-foremost accessory items. Friedman has seen last year's top accessories list — neon luggage tags, luggage scales, No Jet Lag and TSA combo locks — shift to this year's hit items of neon luggage tags, luggage scales, adapter plug sets and TSA combo locks, showing function as the driving accessories sales force.

Driving Sales with Sales

Consumers are definitely holding onto their money. And retailers are having to fight for it. Nothing moves goods in this economy better than “sale.” But you can't run sales all the time, or on premium brands, which devalues your goods and conditions customers to expect things to go on sale, which is a downward spiral and fosters a consumer mentality that retailers would be wise not to promote, especially since habits formed now will likely persist after the economy bounces back. So you have to get creative.

“I have an Eagle Creek promotion, a closeout line, which I couldn't have sold

at this volume but we can right now because it's on a discount. I know we couldn't have done the volume we did this year at full price,” said Coe. “We've also been doing promotions, giving a picnic kit away with a \$100 purchase, which we've pushed on the Web and in our newsletter. Some people think gift with purchase is dead, but it's working for us,” she added.

“People want bargains, and the media has probably compounded the problem of sales by telling people it's okay to barter, and encouraging them to compare online pricing with retail stores, which we didn't want to happen,” said Fowler. “We went proactive, sending gift certificates to our best customers with the thinking that if you offer to give them something they won't try to take something from you by expecting a discount. We used the 80/20 rule, we went after the 20 percent of our customers who drive 80 percent of our business — they're still traveling, just not as long or as often — and the promotion works.” Every retailer we spoke with understands the value of promotion, but while everyone wants to do it there's a cost factor involved, and not everyone can afford it.

“We've continued our advertising,” said Hirsch. “One of the biggest things in tough times is fighting the urge to pull back completely. People need to know you're out there. We do TV advertising, I'd like to expand that but haven't. So we do newspaper ads twice a week every three weeks, which we weren't doing before, and the ad draws. We run the ExOfficio ad, '17 countries,

6 weeks, 1 pair of underwear,' and it draws, every time. We'll get at least 20 customers calling or coming in off that ad, and I'm becoming known as the Underwear Guy. I don't care how I get known, as long as they're walking into the store. And with this it's repeat customers, and that's truly important, a piece of luggage doesn't do that.”

Friedman of Lazar's reported, “We are not doing anything differently, but are continuing with our ALDA direct mail catalogs, both the luggage and spring flyers. And we have some TV spots and are sending oversize postcards to our customer list. It's important for us to remind our customers we are still here, still have our tremendous selection and we'll be there for them in the future.”

“We always capture customer names at point of purchase,” said Fowler, “and that's transparent. We communicate with customers once a week via e-mail, and we're able to engage our customers this way. It's an opt-in program, and that's one way we can speak with our customers economically, and on a regular basis.

“We're advertising singular items more this year, and planning for loss leaders — giving stuff away to get them in the door,” said Weisbart of his promotions efforts. “One of our ALDA members brought the concept of ‘Spend More, Save More’ into our flyers, and that tack has helped a great deal, we're using it in a lot of our ads.”

“We went through controlling costs like everybody has, we're offering more of a value story, especially on our upper-

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end brands, pleading with them to somehow show value, offer collections on sale, gift with purchase, free shipping,” said eBags’ Cobb. “But in July we’re dropping 1 million back-to-school catalogs in the mail to proven Internet shoppers. I think this is a time to really gain market share, it’s kind of an exciting time.”

And promotion doesn’t have to mean advertising. Weisbart’s It’s...In the Bag! has famously leveraged regular packing seminars as a way to get potential new customers into the store and move those accessories. And says AAA’s Coe, “We just finished a packing workshop with Anne McAlpin, focusing on higher-priced items since people can always buy low and we did very well. We were up a few percent, and that’s just the day of the seminar — there’s residual sales a week or three later, and those add up. And we try to coordinate items on display with what we put in the newsletter and on the Web, so people see these items at home, and when they walk in the door they see it right away.”

Watching Costs

Every single retailer we talked with has become incredibly cost conscious, trimming where they can. Staffing is an obvious way to trim overhead, and while painful, it’s not without its benefits. Many store owners we spoke with have had to put themselves on the sales floor, and it’s put them in serious tune with what customers are after, and what they want. And while staff might be spread thin, it works, and drives staff to perform. “Our staffing is leaner than it has ever been, and our staff has definitely learned how to be nimble and work more than one customer at a time,” said Weisbart. “When we do get the occasional rush and are caught short-staffed customers understand, and tell us ‘We’re just glad you’re still here, we’ll wait.’”

It pays to get creative about expenses, and to do it in ways that are transparent to the customer. “We really went after expenses,” said Fowler of Uncle Dan’s four-store operation. “We talked with

our landlords about rent, we went to our vendors about freight charges, and we try to order just in time, which means we might be placing 27 orders this year with a vendor instead of 22 orders. We try not to do business with unprofitable categories, either getting rid of them or going back to the vendors and asking them for help, and it works.”

“We’ve reduced our advertising budget about 30 percent,” Izenon related. “It’s hard to advertise and not get the results we used to get, but we realize we need to advertise and some of our advertising vendors have been willing to negotiate pricing that’s more favorable in this environment. We’ve also tried to buy more frequently, unless that means giving up freight discounts and other incentives. Some vendors are in the same boat, and realize our margins are being squeezed by the consumer and they’re trying to help with discounts and other incentives.”

“We have to keep new stuff coming in, because for those repeat customers we’ve got to have something new to catch their eye. I’m trying to do that this year, while still being conservative,” Coe revealed about her new merchandise strategy. “If I have a gut feel it might be iffy I won’t bring it in, it’s got to be something I feel our customers want. Pacsafe is new for us, and doing very well — it has a story, and was a no-brainer. And I’m lucky to have these amazing reps who’ll work with me, helping keep inventory tight, getting rid of the dogs. And they’re here and helping, doing clinics and helping promote their products. This isn’t business as usual, we’ve had to get creative, have some fun with it.”

The New Perspective

Peter Cobb, of online juggernaut eBags, probably summed it up best: Flat is the new up. Flat sales, which used to indicate stagnation, have become the new positive trend. “Traffic at eBags is better than last year — well, truly, it’s equal, but in this environment it’s better — we

had over 100,000 unique visitors last week, that’s people out there shopping for bags. The number of shoppers hasn’t dropped off, they’re a little slower to reach into their wallets, they’re checking prices a little more, but if we’re flat, or a little bit up — single digits up, which is a big change from our double-digit growth — that’s a great year.”

And that new perspective is key to happiness. It might sound like a harsh realignment of the business horizon, but flat really is the yardstick of the moment. “This year our average ticket is down less than \$1. Considering what’s going on in the economy, I’m pleased,” reported Friedman.

Long-term health is always the desired big-picture forecast, but after months of enduring the longest economic downturn since World War II, retailers and economists alike are putting more weight into previous-month sales figures than last-year comparisons. It’s all about baby steps, the tiny upward beginnings that will put the current recession into reverse.

Optimism is really what weathering this downturn is all about, especially when it comes to consumer attitudes. An April cover story in *Time* magazine noted that in a poll of 1,000 Americans, 12 percent expect economic recovery to begin within six months, while half believe the turnaround will happen in another year or two. More than half — 56 percent — believe America’s best days still lie ahead. So that means consumers are looking for reasons to loosen those belts.

And those reasons might already be here. The latest retail sales figures from the U.S. Census Bureau and the National Retail Federation show very slight increases — 0.6–1.5 percent — over previous-month figures. It’s not a lot, but it’s a significant change from months of consecutive losses.

What’s important is to stay the course, continue to get creative about promotions, customer outreach and spending. And remind people that we’re here for them, ready to handle their travel needs — a sound strategy for the here and now, *and* for the road ahead. ■