

Brands Going Retail: A View from the U.S.

By Anne Brouwer, McMillanDoolittle

Brands are increasingly developing direct relationships with consumers. While this was once the purview primarily of luxury brands, today we find brands of all shapes and sizes are relying more on direct channels to reach their core customers. We see this across almost every category today, from apparel and accessories to electronics, toys, food and personal care.

From Manufacturer to Merchant

The increasingly rapid pace of change at retail creates both challenges and opportunities for consumer brands. Many brands are approaching an inflection point, where existing channels of distribution are no longer sufficient. They need new ways to grow and to have greater control over the brand experience. Often, establishing a retail business is becoming part of the solution. For some, it means testing, while for others retail can become not only the primary growth driver, but the biggest revenue contributor. Regardless of the path, all of these are Brands Going Retail.

Why Brands Go Retail

As the trend toward retail consolidation into fewer and larger players intensifies in many segments, brands can face several challenges. Topline growth may suffer as a result of retail consolidation and also from the explosion of retailers' exclusive brands. Other factors pushing brands to the inflection point can be shifting competitive and consumer behaviors, stricter retailer controls and demands that are hard to meet. Branded retail can also offer unique opportunities, such as communicating a clearer brand position, or boosting the profile of a niche brand that has limited distribution.

Going retail can meet other needs as well, such as measuring consumer response to new products, brand extensions, new concepts and new experiences. Choosing the right retail channel to meet a brand's objectives can be confusing, given the breadth of



alternatives. Understanding how best to serve the target customer should drive the selection of the right retail format.

Creative Solutions

Brands are going retail using an ever-increasing selection of channels and formats. There are physical stores, ranging from over-the-top flagships to full-line stores, shop-in-shops and outlets. There are virtual stores in catalogs, on the Web, direct TV, and soon on your mobile phone. Other formats include temporary and mobile stores, such as kiosks, pop-up stores and vending machines. We are also seeing the trend of brands extending into experiences, such as spas and restaurants, and even hotels. Here's a brief tour of some familiar and not so familiar Brands Going Retail.



Maytag Appliances introduced its Maytag stores in 2003. The stores are designed to showcase Maytag products in a way not possible in the appliance department of the local big box store. They offer a boutique-like format that allows customers to “test-drive” appliances before buying. They can fully acquaint themselves with the products by throwing in a

load of their dirtiest laundry or baking a favorite dish.

The Adidas flagship in New York is an example of the power of retail to fully communicate a brand in ways that advertising or presentation in someone else's store never will. At two stories, the store has great presence from the street. The windows are beautifully done, with graphics of famous athletes and Adidas current campaign. The store comes off as both cool and hip without being dark or foreboding. There is superb attention to lighting and space, allowing each product category to have a dynamic presence. Flat screen TV's reinforce the brand experience, and the store puts the focus squarely on the product.



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Consumer electronics brands have increasingly opened retail stores, with Apple being the most notable success. Others include Sony, Motorola, Nokia and now the first showcase store by Garmin. The manufacturer of navigation gear opened a retail store on Chicago's Magnificent Mile. The location allows

customers to touch and try products with hands-on product demonstrations, web kiosks and product training and seminars. The Garmin store promotes the brand, generates buzz, and is a high-tech, interactive unique shopping experience.



Illy, an upscale brand of coffee, took a very innovative approach to pop-up retailing. Opened for three months in Soho, Galleria Illy was designed to look like an art gallery, with a small sit down area for espresso drinks and desserts. The centerpiece of the store was coffee cups, decorated by famous artists and celebrities, arranged into a sculpture/chandelier.

Colorful espresso makers were displayed, museum style. A live, interactive play was developed exclusively for the store entitled 28 Seconds. This is a great example of out-of-the-box thinking and brand-building.

Nike has extended their brand with NikeWomen, which features a lifestyle-driven approach to women's performance athletics. These stores are part Nike's efforts to serve women customers in a more intimate and focused way than in their bigger stores, the catalog or website. Nike does a spectacular job of visual merchandising and strong motivational



messaging.



Two experience stores that stand out are American Girl Place and Hershey's. Both offer a space for retail and entertainment to co-exist. At the Hershey's store, for a set price, children can have their picture taken, hit some levers and create a bucket of customized candy. The store also has a chocolate and sweets fountain, an ice cream

parlor, fresh-baked goods and a chance to decorate your own cupcake or brownie.

American Girl dolls give young girls a glimpse of what life was like for girls in different eras of American history. The American Girl Place store itself becomes part of the experience, entertaining shoppers for hours and garnering frequent return visits—or should we say, major expeditions. With a theater, hair salon, nursery, doll hospital and elegant sit-down restaurant in the store, in addition to the extensive collection of dolls and accessories, it has become a major destination. The store seamlessly blends commerce and experience, creating memories for a lifetime.

Strategic Considerations

Going retail is not as easy as it may appear. Brands often find developing and running a retail business challenging. It takes retail skills and expertise they often don't have, and they may need to mitigate risks to existing wholesale channels and infrastructure.

Those that make the leap also need to have a strong point of view and the willingness to learn retailing. Brand caretakers should carefully develop the strategy, define the retail positioning and test out business case assumptions, and then commit the resources and assets needed to launch and sustain retail. Perhaps most importantly, brands must affirmatively answer two key questions: How will it win in a crowded retail landscape? Will it serve the target customer better than any competitor?

The trend of brands going retail will only intensify. Those that can translate the brand promise into the right retail experience stand the best chance of winning.

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