

The War for Retail

March 30, 2017



It might feel weird to live in a world without Macy's, J.C. Penney's or Kohl's. These major retail outlets are household names all over the country, maybe even internationally. J.C. Penney still runs ads in the Sunday paper, and Macy's still sponsors a Thanksgiving Day parade - but how much longer will they be around?

Sears and Kmart are literally on the brink of extinction. Target and Macy's have both missed revenue projections. Even the mighty Walmart has had its long-term strength questioned by the experts' forecasting.

Everyone knows the purpose of a department store: they consolidate trending products from name brands under one roof, helping manufacturers reach wider audiences of consumers without having to do all the legwork of building, staffing, advertising, and maintaining their own locations.

As consumers, we used to be all about the idea of a Sunday trip to Kohl's. And why not? There you can buy some new shirts, a nice pair of shoes, stylish bedding and even a blender, all in one place and from trusted brand names. But now that business model is faltering.

Online shopping is killing traditional retailers, and they really can't compete with the convenience.

For instance, we might drop in Staples to buy Post-it notes, or Best Buy to pick up some ear-buds. But when it comes to big ticket items (printers, office chairs, stereo systems, 48" plasma TVs), we jump online to find the best deal. And Staples can't survive selling Post-it notes. They need to sell big ticket, high margin items if they're to maintain profits and keep up with all that square footage rent.

Clothing has been protected for a while - because people still like to try on their clothes. But Zappos led the charge with free returns, and many other online retailers have followed suit. Consumers are no longer afraid to order even their clothing online.

And this trend will not slow down.

Providing a better experience is expensive. It makes it even more costly for brick and mortar locations to stay in business.

It's like Barnes & Noble today. People happily drop in to browse the shelves. But we price check against Amazon, often letting this online giant drop the book off at our house the day after we saw it at Barnes & Noble.

Investing in a better experience just makes it all the more difficult for stores to keep prices low.

Customers do not feel much loyalty to retailers anymore. Walmart's already trained us to accept a crappy experience in order to get our stuff cheaper. Then along comes Amazon with a better experience, and even cheaper prices....

But retail *will* survive. It will even thrive. But it will happen with a massive shift in the way we interact with our favorite brands.

In the future, we will see very few department or big box stores. Instead, we'll see boutique, brand-centric stores that really pop the customer experience out of the box.

Think about the Apple Store. Lego Store. Under Armour Store. Disney Store. American Girl Doll Store. And many more.

Lego can't be under cut on price. Whether you buy from the store, or buy the exact same product on Amazon, it's still Lego's product. They keep making money regardless.

These brand-centric stores don't need to maximize their profit per square footage. They can even afford to lose money on their brick and mortar locations, so long as people keep buying massive amounts of their product somewhere.

J.C. Penney doesn't stand a chance... unless, they start investing in their own products now.

J.C. Penney, Target, Macy's and Kohls need to start buying brands right now.

But Macy's can't buy brands like Levi's. They're too well known, too expensive. If I owned Levi's, I wouldn't sell to Macy's. I'd open my own store across the street and put them out of business.

But Macy's can buy small boutique brands of jeans, shirts, shoes, etc. They currently have the market share and so could turn a small, struggling brand into a major worldwide superstar. Macy's shouldn't try to buy Levi's. They should buy a much smaller brand like Hudson or R13 Denim, and make that brand famous.

When we go to the mall now, my kids already know which stores offer the best experiences. It's Lego. Microsoft. Apple. Tesla. These are *experiences* they want to have. And these stores don't even have to be low-cost because they control the inventory.

If Macy's and Kohl's wish to compete, they might follow suit.

Staples and Best Buy? Fuhgeddaboutit...

And if you want to play the game, become a brand people care about. Because right now there's a war in the retail business. And our household names are being eaten alive by new competition. We saw the same thing happen in the music business. I lived through it. Watching technology put every producer, writer and session musician I knew out of work.

And who's tomorrow? We tend to think accounting firms, law firms and financial services are safe. But are they? Have they built brands people actually care about? Will we go out of our way to bank with Chase? Or will we jump on board with Amazobank the first chance we get....

Your solution is simple. Build a brand your consumers love, and your business will survive.

Want to learn more about how to gain a competitive edge and bolster your brand? Check out *The Science of Charisma*, a process that taps into your underlying charisma to unlock your brand's full potential. Our first workbook and training titled "Checkmate Your Competitors: Using the 5 Factors of Competitive Edge" is available now!

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