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FOURTH EDITION

SMART RETAIL



Winning ideas and strategies
from the most successful
retailers in the world

RICHARD HAMMOND

Praise for *Smart Retail*

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'Take a look around a Majestic store today, where we are growing like-for-likes, and you can see many of Richard's principles at work. I highly recommend Smart Retail as part of any retailer's essential toolkit.'

Rowan Gormley, CEO, Majestic Wine PLC

'Clear thinking with practical retail insight to get to innovative yet pragmatic ideas.'

Alex Windle, Marketing Director, BP

'Richard is a deep well of retail knowledge and best practice and communicates his ideas in a hugely compelling manner.'

Wilf Walsh, CEO, Carpetright PLC

'A toolkit of retailing skills to take you beyond survival, to super-performance.'

**Angus Thirlwell, Founder,
Hotel Chocolat**

'A really practical and helpful guide, essential reading for anyone involved in retailing.'

**Charles Dunstone, Founder and
Chairman, The Carphone Warehouse**

'Congratulations on pulling together such a comprehensive list of essential learnings.'

**Cliff Burrows, Group President USA
and Americas, Starbucks**

right customer segments, then people would come and buy. Online, retailers tended at first to replicate this format: a shop front in the form of a logo header, and then grids of product. It is online that the cracks in this approach are most obvious in that nothing stands out, scrolling pages of product fast becomes a chore. For many retailers, especially those without first mover advantage, despite relevant product and keen pricing, people didn't come.

It is no longer effective to follow this basic model. It has all the sophistication of a toddler playing shop and no retailer can thrive under it. The task now is to inspire interaction through discovery and I have a structure for that, based on my observations, research and conversations with the world's best retailers. Often, those retailers will see their own circumstances differently, might even give their "system" a proprietary name, but what I've done here is package all those successful ideas and systems into a set of universal tools. It works and running your own business through these processes will pay dividends.

So, there are three things that are consistently in place within those winning retailers:

- **Discovery:** they build formats that force discovery by incorporating it strategically and structurally.
- **Curation:** they creatively limit choice using curation and editing of ranges to prompt interaction.
- **Narrative:** they tell stories in which customers can easily recognise a benefit that relates directly to themselves.

We will deal with curation and narrative in the next chapter. For now I want to look at discovery and explore its powerful role in making it natural for customers to want to engage with you and your product.

Inspiration to interact happens when retailers build discovery-rich formats, populate those formats with curated ranges of products and services, and then use strong narratives to show customers how easily they can put themselves into those stories.

In practice

Here are two examples of modern retailers that are doing all three brilliantly. In the first, I've chosen to concentrate on Williams-Sonoma's physical mastery of discovery, curation and retail narrative but it is a retailer that also does the three of them extremely well online. In the second example, I've looked at Everlane, currently only online, but, as you'll see in Secret six, that is a label that is fast becoming meaningless.

Williams-Sonoma Prodding the senses and the imagination

The smell of pumpkin-spice cider, a warming deep autumnal scent, transports me away to a New England autumn with the golden leaves starting to cascade from the trees . . . Williams-Sonoma has got me. Outside it's a grotty urban mid-western afternoon, cold and mean but inside I've taken just a few steps yet travelled a thousand miles.

This high-end cookery and housewares retailer gives the absolute masterclass on sense-based retailing: smells of food being cooked all around the store, the sight of seasonal cues everywhere, taste of the samples dotted about. It's that pumpkin-spice cider. Pumpkin bread there. Mash and sweet gravy in another section. Even sound gets a look in as, on a proper full gas hob, there's a big pot of something nice bubbling away in a satisfying chatter. What does that leave? Touch? Well there's plenty of stuff to for that.

Client after client tells me this sort of thing is impossible in their stores. Nonsense. You want to create a taste of what your product leads to? You can do it. This particular Williams-Sonoma, packed with the emotional context of its market sector, is selling the pleasurable and satisfying feeling of cooking good food for friends and family. It isn't even that big at around 300 square metres, yet packs demonstration and discovery into every corner. Everything in the range feels curated, as if to say, "If we stock it, you can trust it." One fantastic example of this is positioned with considerable narrative skill. An extremely expensive collection



of pans is promoted with, “This is the last cookware you’ll ever buy” and the display then goes on to explain that this is heirloom cookware, pans you will pass on. It’s such a simple, yet powerful, story. It lifts a bunch of saucepans into something laden with wonderful images of longevity and family.

Williams-Sonoma is built around discovery of things that will make you not only a better cook but will improve your experiences of cooking for the people you care about. It’s warm and cozy and very shoppable.

Everlane.com

Transparency and rewarding virtue

64% of millennials, Everlane.com’s target customers, would rather wear a socially conscious brand than a luxury one. That truth, one that is reflective of a trend that means if you’re reading this two years after I’ve written it, that 64% will be higher still, is the narrative, where an amazing level of price and manufacturing transparency provides the discovery. In this case, customers discover that they can make both a socially conscious purchase and do so at a lower price than they would expect. Powerfully, Everlane’s price transparency – every item has its materials, labour, import duty and transport costs shown together with Everlane’s mark-up – makes customers feel that they are part of a fair trade.

Everlane’s format is founded on a Big Idea that is to be a radically transparent retailer of classic wardrobe staples. So a T-shirt isn’t a sweatshop-produced basic but a classic imbued with the story of the factory in which it was made, the people who made it, the narrative of socially conscious production and the discovery that these things can be bought at a reasonable price.

Research business Forrester says there are 8,000 places where you can buy a white T-shirt online; for Everlane to have discovered a way to make theirs attractive is a big achievement. The business sells “tens of thousands” of them every month.

The company does something that, on the surface, might appear to be anti-discovery. Rather than offer seasonal collections, it adds products one at a time. Some items have been in the collection for all of the five years Everlane has existed. Founder Michael Preysman says the clothing has “a current point of view”, but suggests that items “can also be worn in ten years” and encourages customers to wear items for as long as possible, as part of a sustainability message.

Each new item has a story of its manufacture and pricing built around it, again imbuing everything with an authenticity and character that is very effective. The whole range covers just 200 pieces, all of which fit a recognisable Everlane look. It is a curation that customers love – they like being part of the Everlane story and trust the company as a source of socially conscious fair-priced classics.

The three keys to inspiration

So let’s break down each of these three essential tools of customer inspiration. We will start by looking at the ways retailers can build discovery-led formats. In the next chapter we will move on to the power of curation and narrative.

Discovery

All three of these ideas are roughly talking about the same thing: the moment a customer interacts with your product or service because they’ve found something that fits their need state. The benefit of prompting discovery, of inspiring customers to pick something up or click on it for more detail is gigantic. Here’s how to make that happen.

Discovery features at some point every time anyone shops, online or off. Even the customer who is certain they just want Heinz tomato ketchup week in and week out is disruptible by a good promotion or interesting new alternative – and they delight in it. The point at which discovery is made may shift but no shopping trip is ever made without it. As retailers, we can benefit if we can

manage discovery to our advantage, and the good news is that there are some usefully formal ways to do that.

Sometimes the discovery will be made before leaving the house or opening the page, research having been done online, via media and among friends. That type of discovery certainly applies to a more significant degree to big-ticket items but even then the decision reached is observably disruptible, especially by promotions but also through knowledgeable intervention and definitely by stock availability.

Many customers who leave home knowing what they want, having extensively researched it and used all the tools online to help with that, are still open to persuasion once they arrive at a store and begin to actively shop. We see the same thing online where customer journeys that have come direct to a specific product page are stymied by an out-of-stock item or by a recommended alternative.

Discovery makes people interact with things. Make a customer say “Wow” and, more often than not, you’ve got a sale. Discovery is not just about showing customers surprising things, it is the complete process of helping to guide them to the highlights of your range, to the great promotions, to using great service and support to lead customers to the right choices.

A reputation as a store that can meet customers’ sub-conscious desire for discovery will drive your clicks and footfall. So long as you’re consistently meeting needs and you’ve got the framing right, creating formats where discovery is at the heart, will also actively contribute to your business gaining First Visit Advantage.

There are broadly four approaches to integrating discovery: promotion-led, service-led, product-led and total-format. Some retailers can combine more than one of these. When you get to the Stew Leonard’s case study, you’ll find a great retailer that combines all of them.

1. Traditional promotion-led discovery

Traditional promotion-led discovery is still the most common way retailers incorporate discovery and, if you’re able to offer great deals, it’s very powerful. The availability of those deals is

only half the story, though. Promotions must be supported with great visual merchandising that brings them right to the surface.

The key elements are:

- creative promotions
- a variety of promotions
- a near-guarantee that there will be a deal for every customer, every time
- consistent low prices on core products
- a retail-type that encourages regular revisits
- a celebration of the offers by putting them in good locations and regular inclusion of the "good stuff"
- store layout that includes plenty of hot-spots
- a planned customer journey that leads visitors between those hot-spots.

Tesco (UK)

Tesco is the international blueprint for promotion-led discovery. Go as an observer and learn how to select, place and promote offers brilliantly. The business might have gone through troubles in the early 2010s but its singular ability to offer killer promotions remains intact.

Aldi (Germany)

The powerful trick Aldi has pulled off is to persuade customers that the entire store is one big price promotion. Aldi isn't just about being cheap, though. Efficiencies in logistics, ranging and buying, as well as reduced location, store-fitting and staff costs are all positive, but the product itself is good and sometimes extremely good. Watch middle-class couples ransacking the incredibly cheap, but very high-quality, steak section for evidence. On top of this, Aldi specifically operates a discovery element by introducing revolving special buys: one week it's very good value cycling gear, the next it's gardening, and so on. Every visit to Aldi over a period offers the chance to discover something unexpected that is incredibly good value. Ever since I bought a £5 snow shovel in 2013, we've seen not a single flake of snow in Oxford. Thanks for that, Aldi.