

Change You Should Believe In

Advantage Communications, Inc.

Still bearing the names of their founders, most of today's recognizable department store brands: Macy's, JC Penney's, Kohl's, Dillard's, Sears, and others are a century old. The American department store shaped the retail landscape of the 20th century and played instrumental roles in social issues such as women's rights¹, technological advancements, and national and community economic development². We applaud these companies for their decades of success and contribution; however, many department stores are struggling to stay relevant in the 21st century. The New Millennium ushered in the most diverse and sophisticated customer base the market has ever seen, and these retail giants are failing to recognize and connect with consumers.

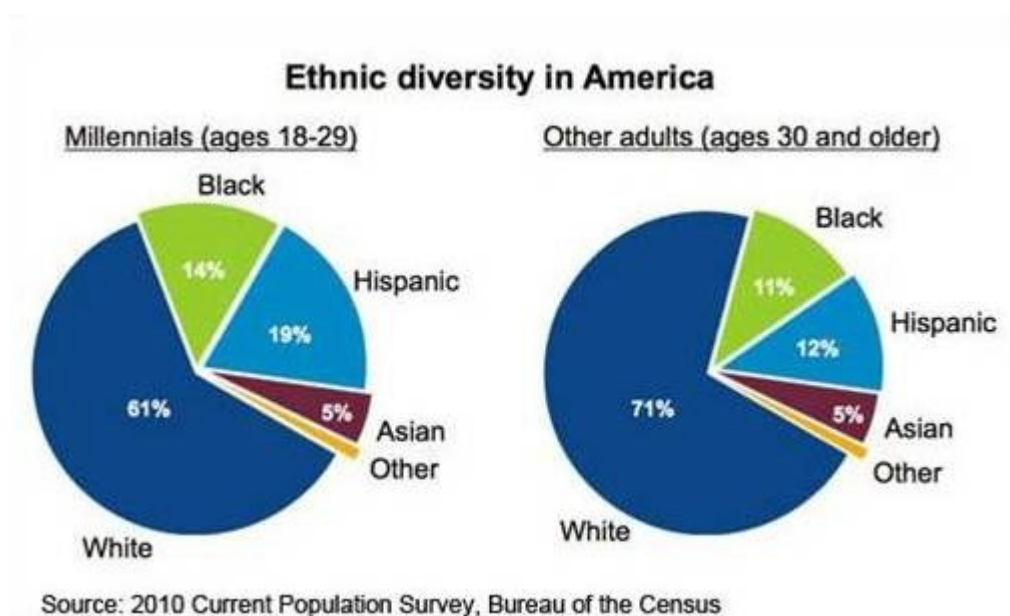
Why are department stores missing the mark with the modern American consumer?

They are staying the course with yesterday's marketing norms instead of recognizing the burgeoning diversity that defines the new business-to-consumer paradigm. That paradigm is all about being able to rapidly adapt to change in the marketplace. Alan Wurtzel, former CEO and Founder of the defunct consumer electronics franchise, Circuit City, "believes [the company's] decision makers weren't scared enough by the shifting pressures in the industry nor nimble enough to quickly change course."³ Undoubtedly, shifts in the industry include increased globalization, technological advancements, and all of the various new communications channels. However, the most crucial change in the marketplace is the change in customer needs and expectations. Companies must be able to adapt to the ever-changing consumer market if they hope to survive to see another Millennium of retail success.

Who is the modern American consumer?

The average department store customer is no longer limited to the middle- to retirement-age Caucasian female with an average household income of \$50,000.

Spending the majority of marketing dollars against this segment misses at least 50% of the business opportunities and, in a short period of time, will prove detrimental to sustainable growth. The modern American consumer comes in all ages, colors, and socioeconomic status and spending power. Tailoring strategies to those specific markets is essential. Census data reports more than half of all babies born in 2010 were members of minority groups.⁴ Current projections show white Americans will no longer be in the majority of the U.S. population by 2042.⁵ Of course, we've all heard about Millennials. Their size, spending power, and uniqueness have been well-documented in marketing publications and blogs. Millennials are forcing retailers to think and act differently, and multicultural markets are and will continue to be integral in the retail landscape.

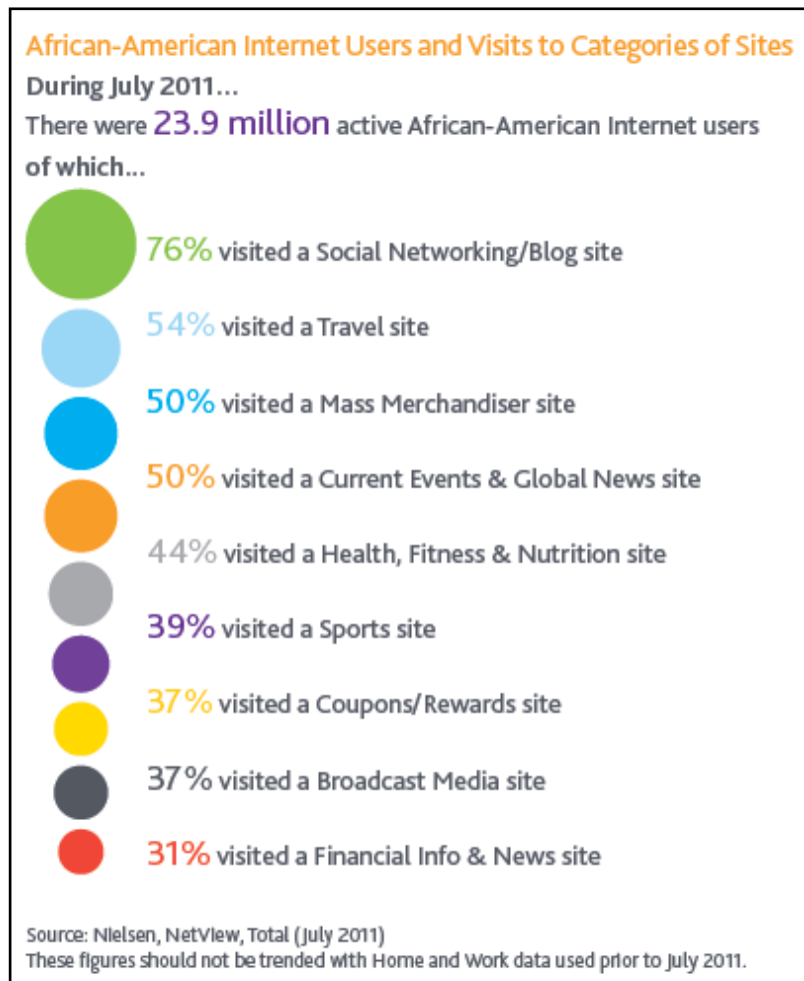


Arguably, the two most successful campaigns leveraging the growing power of Millennial and multicultural markets were the 2008 and 2012 presidential elections. The campaigns of President Barack Obama were not just about “Change We Can Believe In” on a political and economic scale, it publically recognized and capitalized on the change in the market landscape by targeting Millennials, women, and multicultural consumer segments – with overwhelming success. This is change that department stores and their marketers SHOULD believe in!

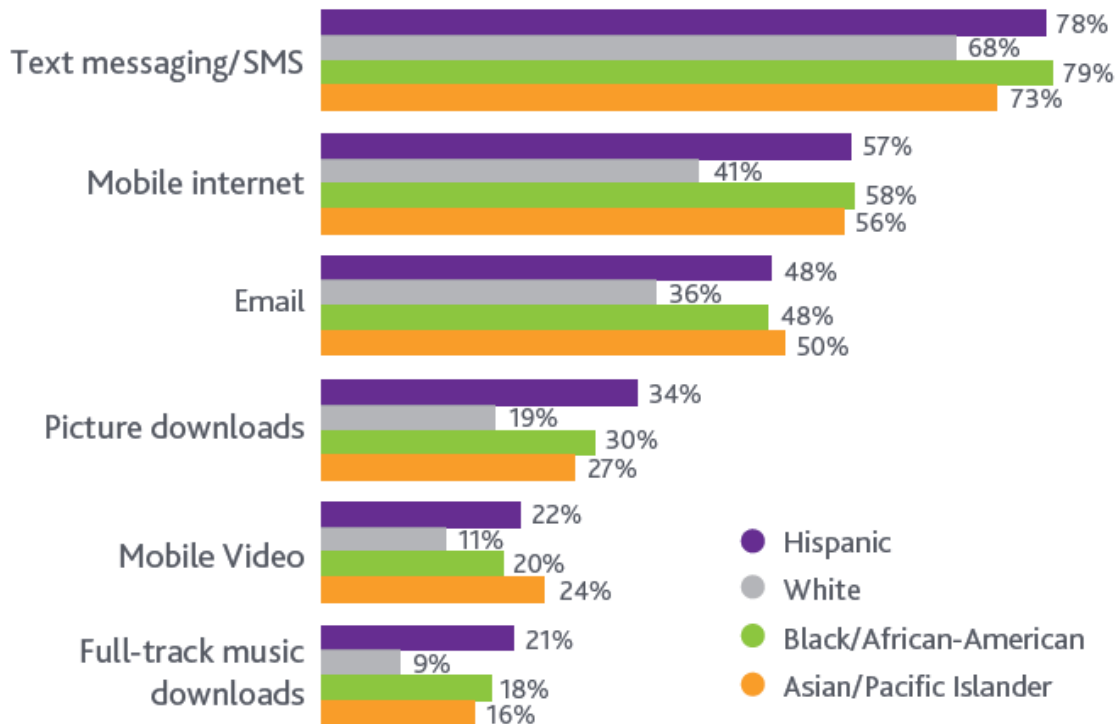
So how can department stores connect with the modern American consumer?

Innovate now, not later. Millennial and minority customers are always looking for new choices and new ideas to entertain them. Shopping itself is a form of entertainment for these audiences, but if the store and its brand and messaging never innovate...they won't be interested. In fact, good marketers should anticipate what the customer will need tomorrow while meeting their expectations today. This means that department stores must make a fundamental change in the way they see themselves: not as merchandisers but as drivers of consumer demand.

Go where they are. In years past, a marketer could reach 90% of the U.S. market by placing media in four major networks. Today, there are more than 200 channels, social media, and other communications innovations to engage consumers. This requires marketers to target key segments of the population with relevant messaging and mediums. Media delivery is a major part of engaging modern customers. Email, video, social media, texting, etc. – these are all tactics that should be integrated into any marketing strategy hoping to build connections with 21st century consumers. Don't send catalogues or hope to reach them with inserts in local newspapers.



Mobile Data Services Used by Hispanics in Past 30 Days



Source: Nielsen Q4, 2011 Mobile Hispanic Insights Report

Don't discount the brick-and-mortar experience. Most department stores are located in shopping malls while Millennial and minority consumers are more frequently going stand-alone, specialty stores like Old Navy, for example. The malls, themselves, are very uninviting. "It's big and beige and boxy" and "[does] a dismal job of signaling us as to what goes on inside."⁶ That's primarily the fault of real estate development companies; however, mall marketers are doing a poor job of inviting customers into their spaces. The Mall of America once did a great job of this with ice skating rinks and rides, but since its heyday, very little has changed about the interior and attractions. Then there is the inside of the department store itself. Drawing the customer into the store, visual merchandising, point-of-sale...this all must be strategic, seamless, simple, and tailored completely to the customer's needs. Marketers must get inside the heads of the customer entering and shopping in the store and anticipate what he or she will need. Then, be ready and willing to change as the customer does.

Change is good!

The U.S. is a very different country from my youth as a Baby Boomer, and it will continue to

change. But change is good, especially for retailers. The modern American customer is the ultimate consumer with more purchasing power than any previous generation! That really IS change all retailers should believe in.

Sources

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- ³ Feintzeig, Rachel. "Lessons from the Death of Circuit City." *Bankruptcy Beat*. The Wall Street Journal. Oct. 25, 2012. <http://blogs.wsj.com/bankruptcy/2012/10/25/lessons-from-the-death-of-circuit-city/>. Retrieved on June 5, 2013.
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- ⁵ Zaleski, Katharine. "White Americans no longer a majority by 2042." *Huff Post Politics*. The Huffington Post. Aug. 14, 2008. http://www.huffingtonpost.com/2008/08/14/white-americans-no-longer_n_118882.html. Retrieved on June 5, 2013.
- ⁶ Underhill, Paco. *Call of the Mall: The Geography of Shopping*. (New York, NY: Simon & Schuster, 2005.) 30-31.

