



## HIGH TECH HIGH TOUCH AND BALANCE KEY TO INDEPENDENT SUCCESS

BY MARY TERESA BITTI

About three years ago, Bob Ianson's Heirloom Linens was in growth mode. Both his flagship store, which he launched in 1995 and his online business, which started almost 12 years ago, were doing well. So he decided to open his second bricks-and mortar location and, at the same time, doubled the size of the original store to 4,500 square feet, undertaking a rebranding as well. That expansion and renovation coincided with the collapse of global markets and the economic downturn. "Our timing couldn't have been worse," he admits. "Has it been a struggle? No question. We are different retailers today than we were three years ago. We have to be smarter, make major efforts to cut costs because our revenues have been affected, but our rent and expenses have not decreased. Still, we are seeing reason for optimism."

Welcome to the new business reality for Canada's independent retailers. In addition to dealing with many of the traditional challenges independent retailers have always faced—limited time and resources; marketing; finding and keeping top talent; supply chain management; high taxes and duties—they are also dealing with a highly informed consumer and pressure to develop a strong online presence for their business. But, perhaps the greatest challenge independent retailers face is increased competition both from major U.S. big box retailers such as Marshalls and Target moving into Canada and an online shopping place where consumers can find just about anything and where price is all important.

"Small business owners face the unique challenge of having to be the jack of all trades at a time when it's not good enough to be good anymore," says Retail Council of Canada's Manager, Membership Services, Robyn Russell. "They are feeling the pressure to be excellent in what they do and deliver because consumers are very savvy, quick to find information and just as quick to look for other retailers. At the same time, they are looking for a relationship with the product and the person they are buying from. Consumers are looking for a company whose values represent them. Plus, thanks to social media, they want to share their shopping experience with their friends and online networks. Independent retailers are in a unique position

because they are so connected to their local communities and have built strong relationships with their consumers. This is an opportunity to create that special experience consumers everywhere crave."

Daniel Baer, Ernst & Young's Retail Industry Leader in Canada, agrees. "Independent retailers have an advantage many larger retailers do not have: they tend to be closer to the customer—they know them better. We've all lived through Walmart, Costco, H&M and Zara, for example, entering the Canadian market, and the independent retailer has been able to respond. Critical to the success of independent retailers is that intimate knowledge they have of their customers. They cannot compete in terms of sheer resources, but they can compete on knowing who the customer is. Going forward, that will be even more critical."

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— PAUL SIMMONDS, ROBERT SIMMONDS INC.

Baer divides retail business into four buckets: cost, revenue, brand, and people. "The challenges are on all four fronts—but so are the opportunities."

When it comes to cost and expenses, he points to a few key areas: the high cost of real estate and rental leases, inflationary pressure on products/supplies coming from China and the rising cost of fuel and commodities. At the same time, revenue is being squeezed by increased competition both online and off. Layer that with a less than rosy consumer outlook, and it's a tough sell for independent retailers. "From a consumer's point of view, the higher inflation and the higher gas prices mean that they have less money to spend."

At the same time, Baer says heightened competition means independent retailers have to focus. "You have to understand



what your brand stands for, who your consumer is, why your consumer shops with you.” And then there is the war for talent that is set to heat up as Boomers retire and new players enter the market. “A number of Baby Boomers are going to be leaving the system and taking with them a wealth of knowledge that has to be replaced,” says Baer. “That’s a long-term challenge. Shorter term, a lot of these new entries from the U. S. have greater resources and bigger budgets.”

To that list of challenges, Ianson adds Canada’s tax and duty structure. “Until the U.S. and Canadian governments have similar duty structures this will always be an issue. The consumer has to recognize that we are charged greater duties than our American counterparts and if my costs are higher my prices will be, too. We have higher expenses, rents, taxes, credit card fees, insurance, hydro—it’s all more expensive.”

That said, there are many opportunities moving forward where independent retailers will have the chance to flex their muscle. For example, in terms of cost, supply chain management represents the biggest opportunity for independent retailers, says Baer. “The smart independent retailers are starting to look beyond their traditional supply chain to emerging markets such as Vietnam, Bangladesh and the Philippines where costs are lower than in China. If it makes sense, perhaps looking for suppliers closer to home is the way to go. You might have higher labor costs, but the lead time and shipping expense would be lower.”

When it comes to revenue and competing, access via a strong online presence can level the playing field. “What steps can you take to touch your consumers online and how can you make your

offering more readily available? That’s what independent retailers are increasingly asking themselves,” says Paul Simmonds, President of Fredericton, NB-based high-end retailer Robert Simmonds Inc. “As an independent, you have limited funds to access, but there are good, smart people and agencies and associations like RCC that have resources to help you get started. Our online goal is to touch our clients in informational ways. On our site, we have a lifestyle section and it gives you options of hotels we might have stayed at in different cities, how-to ties, cleaning solutions. You have to embrace the Internet to make it work for you.”

The fact is, consumers are on the Web searching for local retailers because they want that one-on-one interaction, says Erin Francis, Customer Service Coordinator at RCC. “You have to be set up to be found.” And increasingly, that means creating and maintaining a social media presence.

“We are almost at the point where it’s as important to have a Facebook page as it was ten years ago to have a Web page,” says Ianson. “We are on Facebook, Twitter and Foursquare. The one message I took from the Store 2011 Conference is if you’re not looking at social media you have your head in the sand. It’s the way of the future.”

Still, he says, high tech has to be complemented by high touch. “Today’s consumer is the most educated consumer we’ve ever dealt with because they have access to all this information. But being informed and then trying to make a final decision are two different things,” he points out. “And so the consumers are coming in looking for that human face and expertise. It’s about trust and relationship building.”