

Store renos

What are they good for?



Illustration: Paul Gilligan

Absolutely everything, if done correctly. In the first of a series of four articles, building centre veteran Robert Wilbrink explains how to plan and execute a store's renovation. This issue: the link between redesigns and branding.

By Robert Wilbrink

The home improvement industry has been on a roll for several years now. But with a strong market comes greater competition. Box stores are making inroads in medium-size communities that just a few years ago were considered too small to support them. The friendly (or not-so-friendly) competitor across town is expanding his store and adding more selection. The Wal-Marts and enlarged Canadian Tires are taking pieces of market share that used to belong to the local independent dealers.

Most independent retailers know they need to do some-

thing to strengthen themselves, not just for their present competitive situation but also to withstand the next downturn in the economy. Many would like to use the cash they've been generating in this strong market to spruce up their stores. Unfortunately — and not surprisingly — many don't know where to begin.

The fact is, most independents will only do a major store renovation a couple of times in their career. Though they are great at keeping product on the shelf, managing their staff, and serving their customers every day, when it comes to updating their store to stay a step ahead of new competition,



dealers face too many unknowns. What should they change and what should they leave alone? Should the store get bigger or smaller? Should they relocate and build a new store or stay where they are and renovate? Should they add product lines or eliminate them? Should aisles be wider or narrower? Should fixtures go higher or lower? Is the current lighting adequate? How can they create a shopping environment that will strengthen the loyalty their customers have to their business? Should they use their own staff to design and execute the project or should they get help from outside? Who should manage the project and how should it

proceed? The answers to many of these questions are based in marketing.

Every store is in essence a brand. It may be strong or weak, but it's a brand nonetheless. Every store has a reputation in the community. This reputation for shopping environment, selection, price, service and other attributes is in the minds of customers and potential customers. Together brand and reputation paint a picture of the business. This picture is influenced by actual shopping experience, word of mouth, and advertising. Because everything is relative, it is also influenced by competitors.

Often a brand's reputation is so strong that it's well known even before a store is built in town. Because of its advertising and brand image, Tim Hortons tends to have a huge advantage over local coffee shops, which may have been in business for years. Coffee shops that think they'll survive against Tim Hortons simply by re-arranging the tables and chairs, updating the sign and painting the walls are in for a rude shock. The same holds true in our industry.

To survive and thrive against the national brands, independents need to think in marketing terms. This is especially important before tackling an expensive and potentially disruptive renovation. Not doing this is like moving the deck chairs around on the Titanic. Yet, I see dealers making this mistake time and time again.

The first step in planning a renovation should be to update the strategic plan for the store. This starts by defining the current business:

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- ▲ Who is the target customer?
- ▲ Who currently shops the store?
- ▲ What do they buy?
- ▲ Where else can they buy it?
- ▲ What are the sales by category? By customer type?
- ▲ What are the sales per square foot by product category?
- ▲ What is the GMROI by product category?

This is all factual data that can be readily established or calculated assuming an effective POS system is in place.

It's also important to understand the store's image (community perception) as well as its more obvious strengths and weaknesses, such as location, accessibility, size, layout and condition, quality of staff and their product knowledge, size and condition of yard, delivery service, price image, service perception, etc. Similar questions should be answered for key competitors. Some of the answers are self-evident, but others should be established through exit surveys or phone surveys. All this data provides a good basis for understanding the existing business.

The next step is to describe what the business could become. It's critical here to build on your store's existing strengths. After all, it took years to establish those

strengths, and a store that turns sharp left or right to try to redefine itself too drastically can self-destruct. Some might remember the hard swerves Eaton's took in its final years. So the questions should be:

- ▲ How do we make ourselves even stronger in the areas we are already strong?
- ▲ What weaknesses should be addressed to make the total package that is our brand even better?

This is another area where retailers often make a mistake. They try to “fix” too many things at once and end up watering down their efforts so much that customers don't notice anything.

The first question in marketing a brand is always “Who is my target customer?” It's also a question retailers often avoid because their philosophy is to sell to anyone who wants to buy from them. They worry that if they target one type of customer they'll lose everyone else. But making this choice is the best way to get focused on product categories and services that differentiate the store in its market. I have seen making a choice to make contractors the target customer actually drive strong growth in DIY traffic. That's because the new product selection appealed to a certain sector of the DIY crowd and provided a unique offering relative to local box store competitors.

The next questions that must be answered honestly are:

- ▲ What product categories can the store dominate?
- ▲ What categories can the store be competitive in?
- ▲ What products should be sold for convenience only?
- ▲ What products should be eliminated or avoided altogether?

A store needs to be the best in at least one category, and ideally two or three. More than that is normally not realistic and becomes counterproductive. Being competitive basically means being equal to the competition. A convenience category is meant to cater to customers already in the store to purchase other categories. These are not destination products, are not normally advertised, and should be considered less price sensitive. Defining these categories before a renovation is important because without a basis for making product decisions, each buyer, store manager or employee will start to tinker and develop their own pet projects. And without checks and balances, a hardware store or building supply centre can soon look like a furniture store, or a toy store, or an automotive store.

“Brand character” is another key element of a renovation. What character do you project to the community: upscale, downscale, trendy, traditional, high-price, competitive-price, low-price, service oriented, warm and



friendly, cool but efficient? It's important to attach some adjectives to what you want people in your community to think of your store. A clearly-defined brand character makes many other decisions easier. This includes colour schemes, use of service desks, signage, uniforms, fixturing and store layout.

A common mistake retailers make when they do think strategy is to latch onto the latest trend or just copy what the competition is doing. Yet, the essence of strategy is to be different in order to get noticed and to give customers a reason to shop your store.

A great example of this is the desire to appeal to the woman shopper. Home Depot and Canadian Tire have said repeatedly that they are evolving their stores to be more appealing to woman shoppers. We're bombarded by press reports that say women make 80 per cent of purchase decisions (as though this was a new revelation).

So now there are small lumberyards saying they need to find ways to attract more women into their stores. They go

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to the local box store and look at what women are buying. They start bringing in decor items, plants and furniture, and start moving some of the other products out of the store and into the warehouse. (The theory being that customers already know they sell these established items, so why take up space in the store?) They narrow the aisles to squeeze more SKUs into the store.

But gradually their business starts to slide and their best customers don't visit as often or buy as much. Sales drop, as do inventory turns. The store is now second-best at everything and almost certainly worse than that in some categories. It looks like a miniature version of a box store, but the box store has way more stuff. And the box store has more room to move.

And guess what? There aren't any more women in the store today than there were before. So, while bringing in these other products alienated some of the stores existing customers, it wasn't enough to steal away the competition's customers. The net result is lower sales, higher costs and a weaker business.

Don't copy your competitor unless you have the facility and the capacity to do it much better. A good definition of strategy is "the concentration of resources to attain competitive advantage." It's about choosing to win where you have a chance of winning. Where do I have the best potential to make a lot of money: playing in the NHL or being a real estate agent? I could practice 16 hours a day for the next 20 years and still not make the NHL. I have a much better chance of making money in real estate. Too often people waste their energy trying to be something they can't be and don't focus on being better at what they can. Doing the latter is the essence of good strategy. And good strategy is the basis for an effective renovation.

In every category of retail the most successful stores are those that control their environments. They control the look and feel of everything that goes into their store. They create clarity and consistency in their signage, their colour scheme, their fixturing, their staff uniforms, their advertising, their merchandising and the messages they communicate to their customers. All of this supports the strategy being used to build the brand.

One trap less sophisticated retailers fall into is letting their manufacturers' brands control their environment. They let vendors set up their own displays with little input, whether they fit the decor of the store or not. Vendors put up signs without regard to the store brand, which they end up competing with. The result is customer confusion. Displays look the same from store to store. Shoppers can't tell you what store they are in. These retailers don't establish a brand of their own. They don't give customers a reason to remember them or a reason to shop in their stores. They get lost in a sea of sameness. A renovation is the best time to clean all this up. The best vendors are happy to work cooperatively to make their products fit within a retailer's store decor package. Their standard display units are generally their default option for everyone else.

A renovation is the chance to tie the store exterior to the interior, to establish a colour scheme and character that carries through directional and POP signage as well as fixturing, uniforms and everything else that's part of the package, which is the store brand. The result should be an integrated look that makes a lasting impression on customers and creates loyalty. Anyone can rent a building up the street, set up fixtures and fill them with product. Without brand identity you leave yourself wide open to lose business to another store with more selection or lower prices. Or — worse — to a new competitor with a strong brand name of its own. **HM**



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