

OUTLET STORES

HUEN + thecarlsongroup

FORWARD

The economic instability of the past few years has had significant repercussions for the retail world. As e-retail grows more prominent, brick and mortar retail is continuing to rediscover itself. Despite the struggles faced by many stores, outlet malls have managed to thrive, and this growth has driven many retailers and brands to invest in an amplified customer experience in the outlet channel.

What consumers are encountering in current outlet malls is a huge departure from the stores of a decade ago. Gone are the days of overstock and out-of-season product in stripped down stores. Today, shoppers are expecting value within an elevated, brand-right presentation.

The Carlson Group's (TCG) approach to retail solutions is based on a process that delivers Total Program Value (TPV), which takes a comprehensive view of retail implementation. This POV is offered to provide a perspective on the attributes of retail strategy, design and implementation which set a foundation for success in the outlet channel.

THE NEED FOR QUALITY environments and fixture programs has never been greater for the outlet channel. Meeting the customers' expectations relies on understanding the influencers and trends in this evolving market. Here are four trends in the evolution of the outlet retail environment, as well as, six areas of focus that will drive success for branded retail in the outlet channel.

TRENDS

1: THE GREAT SHOPPER MIGRATION

- > As the economy slowed, upscale consumers with a newfound interest in value started to shop the outlet channel. While some have returned to full-price retail, many have continued to include outlets in their shopping routines.
- > As consumers make the cross over from full-price retail they're looking for value - but not at the expense of a strong brand presentation.
- > Outlets have become a family destination. Especially for locations with proximity to prime vacation venues, a substantial part of the customer base are tourists who expect to make a full day out of bargain-hunting.

"Outlet shopping is fueled by tourism. Visitors can be 50 percent or more of the business."

- The New York Times



2: CHANGING PRODUCT LINES

- > Brands are shifting the product strategy for outlets. Outlet stores are no longer a place to dump out-of-season and clearance products.
- > Value-priced lines exclusively for outlet locations have become common. Smart brands track the shopping habits of their outlet regulars, and cater to their preferences, which may be substantially different from those of consumers shopping their in-line assortment.
- > To ensure strong performance in the outlet channel, the product mix should include items specifically targeted at the tourist audience.
- > Product presentation needs to be adapted for the outlet channel as well. Stripped-down spaces with less staff demand retail programs that are designed with integrated visual merchandising and strong communication to help brands maintain their position.

"Many brands create specific merchandise for these outlets that are not necessarily identical to the products sold through department stores."

- Jeff Edelman, Director of retail and consumer products advisory services at McGladrey LLP



3: THE OUTLET AS PROVING GROUND

Brands who are new to the concept of owned retail are now starting in the outlet channel, and testing the waters there before scaling up to full-price locations. In these first locations, brands are testing the retail concept, the financial return on owned retail and the functionality and effectiveness of their retail program.

- > In the outlet channel, brands can engage with both new and existing customers in a low-risk environment. While expectations for the brand experience in the outlet channel are increasing, shoppers are still more forgiving of both presentation and service than they are in full-price stores.



4: WELCOME LUXURY BRANDS

- > Luxury brands are one of the fastest-growing segments of the outlet market. These brands – by necessity – have led the way in the upscaling of outlets.
- > For luxury brands, the outlet channel has introduced a new consumer – for the most part, one that would never shop their brand at full price. For these shoppers, both the shopping experience and the purchase are aspirational – a chance to touch something that's always been beyond reach. Far more than with mid-priced brands, the atmosphere and shopping environment are a critical piece of the experience.
- > Managing crowds is necessary to maintain an atmosphere consistent with these brands. A Coach outlet store in Seattle began staggering entry during high traffic hours in order to maintain an elevated experience. The growing line of people in front of the store gave a sense of exclusivity rarely associated with outlets.

"There's some crossover between the full-price and off-price customers, but it's only about 10 percent,"

*- Robert Wallstrom, President
Sak's Off 5th outlet division.*



KEYS FOR SUCCESS

Whether outlet is your first owned retail venture or one of multiple channels of distribution, the store is a physical representation of who you are. Both loyalists and consumers who are newcomers to your brand are looking for an experience that's consistent with their expectations. Outlet retail is, first and foremost, retail, and while the level of execution may differ, the rules of good retail still apply. To ensure success in this channel brands must consider best practices as they develop and evolve their presence in the outlet channel.

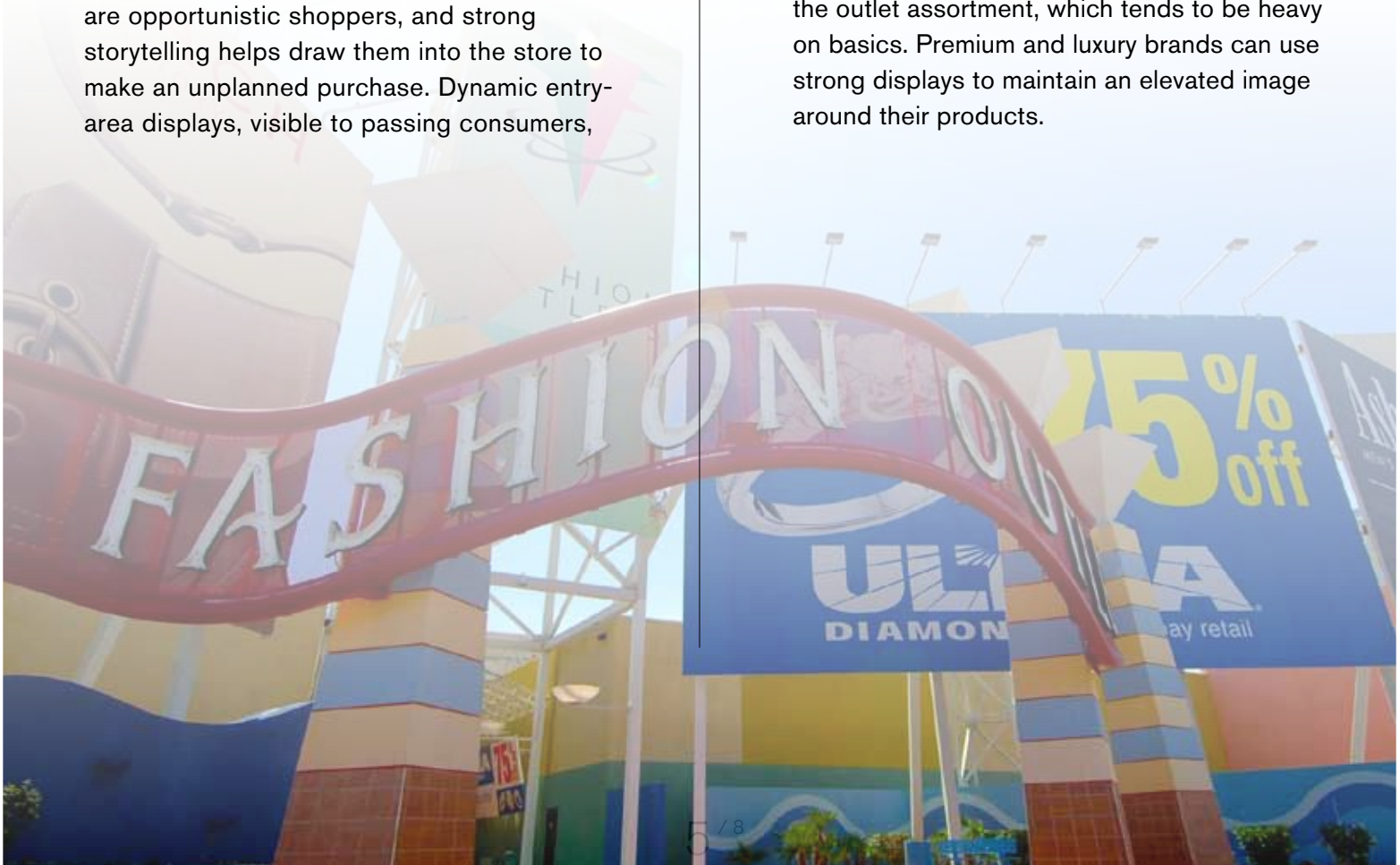
1: STORYTELLING

- > Customers are expecting a brand-right presentation and, despite being on a budget, successful environments will need to provide opportunities for storytelling. Outlet shoppers are opportunistic shoppers, and strong storytelling helps draw them into the store to make an unplanned purchase. Dynamic entry-area displays, visible to passing consumers,

help attract shoppers into the store and give them a landing zone once they've stepped inside. Windows are sometimes a prime opportunity to present a brand or product story, but in many cases, glare is such a factor that window displays are virtually invisible. Generous scale and a backdrop for window presentations can help to mitigate this factor.

2: VISUAL PRESENTATION

- > To stand out, brands must find ways to surprise and delight consumers, but most outlet staffs lack visual merchandising expertise. This means that fixtures and displays have to do more heavy lifting, and need to be designed for high impact while being very easy to merchandise. The use of mannequins and focal points that elevate key products are essential to upgrading the visual presentation. This is particularly important for the outlet assortment, which tends to be heavy on basics. Premium and luxury brands can use strong displays to maintain an elevated image around their products.



3: FIXTURES

- > The product may be different in the outlet, but it still needs to be treated with respect. Building a merchandising strategy, and the fixtures to match, will allow better management of limited product sizes and styles. With limited sales staff and high traffic, tables in outlets are a challenge to maintain and keep organized. Logo tees, for example, which do well in outlets, are best merchandised in cubes that can take dense merchandising and highlight the graphics selling the product.
- > Generally, outlet fixtures need to integrate both strong product presentation and maximized capacity (hidden or open stock). Fixtures should both add operational efficiency and contribute to maximum sales per square foot. Success

(sell-through) comes in part from making it easy for customers to shop.

- > Outlet fixtures take a beating. Adapt your materials and finishes for durability that doesn't compromise aesthetics.

4: COMMUNICATION HIERARCHY

- > In order to deliver the value shoppers seek, outlet stores offer limited customer service. Establish and follow a strong communication hierarchy to assist shoppers in locating the right product. Especially for technical products, features and benefits must be presented clearly and concisely to be of use to consumers. Utilizing an attract-engage-connect approach will ensure shoppers get the right information at the right time.



5: PLACEMENT AND DISPOSITION OF MARKDOWN

- > Bargain-hunting is an essential part of the outlet experience, and this means the markdown product will be a huge draw. Stores that have a consistent approach to placement and presentation of this merchandise will be most successful in attracting shoppers without damaging the image of their brand.

6: SPECIAL SERVICE

- > As tourists continue to play a large role in shopping outlets, brands that can address the unique needs of these customers will stand out. Services, such as shipping and temporary baggage check, will be valuable in creating a quality customer experience.



TAKE - AWAYS

- > Assume consumers at outlet malls are familiar with the level of presentation brands offer in their in-line locations. Their expectations for your brand in the outlet channel will be consistent with their perception of your brand overall.
- > Develop fixtures and display elements which deliver maximum effect with minimum effort. An outlet program that's easily merchandised and maintained will pay for itself by minimizing upkeep.
- > Use strong communication and graphics to make up in impact what you lose in service. Don't include more marketing and communication than you're able to keep updated.
- > Have a thoughtful and consistent way to handle clearance and markdown product. You'll get the strongest sell-through while maintaining an enjoyable shopping environment.
- > Consider the growing number of tourists for whom outlets are a vacation destination. Add elements, products and services that are appropriate for the location. Make sure you're prepared to accommodate large groups and purchase-laden shoppers.
- > Outlet retail is still retail, and it's part of the continuum which creates your brand experience. The fundamentals of retail – order, cleanliness and ease of the shopping experience – still apply.

HUEN

1911 NW Quimby Street
Portland, OR 97209
503 224 4836
huenspace.com

A Portland, Oregon based consultancy
offering strategy and design services for
consumer obsessed brands.

AUTHOR: Rebecca Huston - Principal, Strategy

thecarlsongroup

350 E 22nd Street
Lombard, IL 60148
630 613 5000
carlsongroupinc.com

As a strategic partner, The Carlson Group incubates,
builds and sustains smart custom programs that
deliver value across consumer retail experiences.