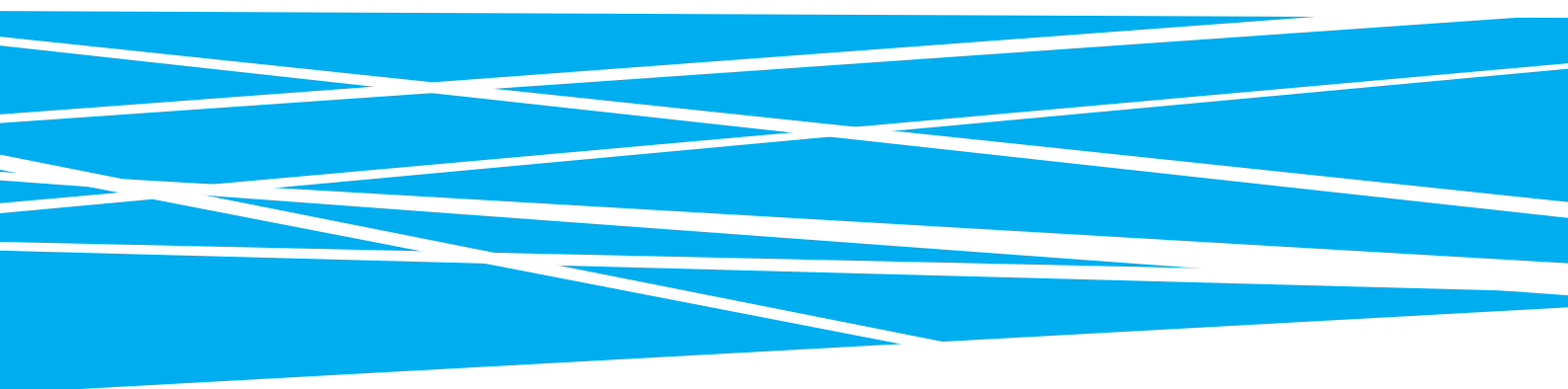


THE BRICKS
AND MORTAR
CRISIS OF
AUSTRALIAN
RETAILING

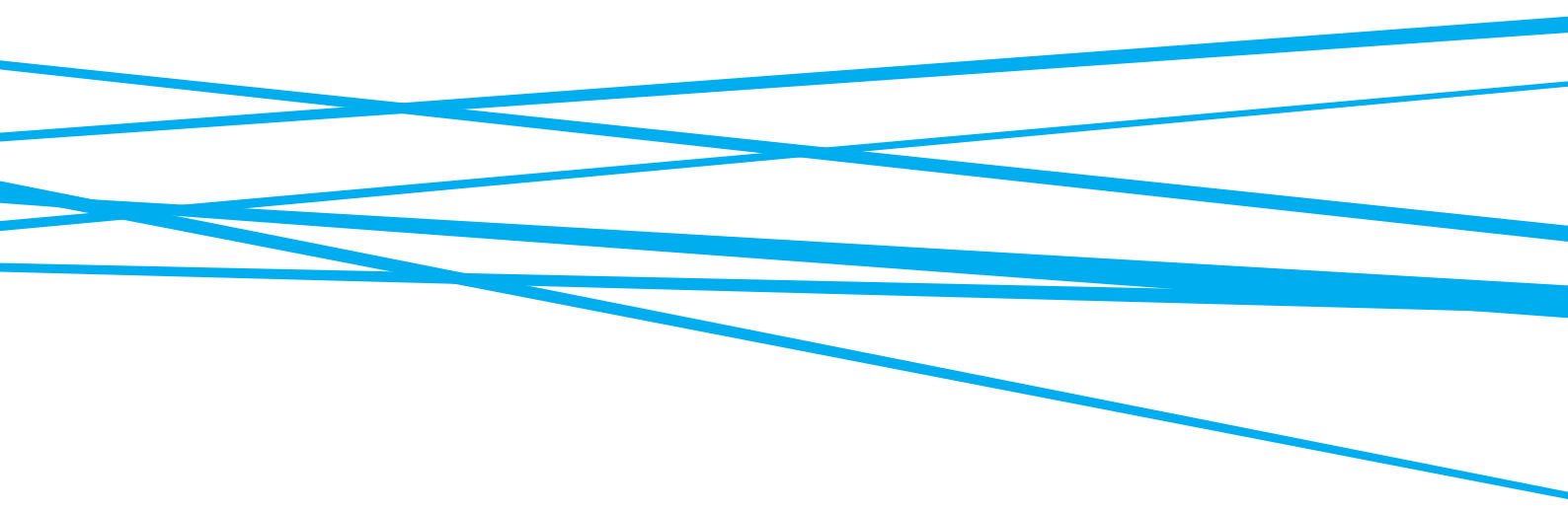
20th October 2015

The bottom of the page features several thick, white, overlapping lines that create a complex, abstract pattern. These lines are horizontal and slightly curved, resembling a stylized network or a series of intersecting paths. They are set against the solid blue background of the slide.

An industry discussion
paper based on findings
from the 2015 Be Brands
Australian Retail Survey



Introduction.



Never in the history of Australian retail has there been so much threat to bottom line performances and business viability.

Unprecedented global brand invasion, downturn in consumer confidence, the meteoric rise in online retailing, apathy in the part time retail workforce, rising rental costs and increases to the already high base labor rates makes the landscape of physical 'bricks and mortar' an arduous task for any brand.

However, one aspect of retail existence remains a powerful driver of competitive advantage; the service granted by well-trained staff that believe in, and are committed to, the brands they serve.

Indeed, employee engagement and the delivery of a truly inspired experience in a theatrical physical environment we call a store, may be the only real source of competitive advantage at a time when products can be copied and accessed in dangerously, easy ways.

Which makes the results of the 2015 Be Brands Retail Survey even more incredible.

The survey, which was conducted over 6 months throughout shopping centres in Melbourne and Sydney, involved over 350 visits to retail brands.

That around half of the 265 businesses surveyed were scored a zero out of 20 for staff commitment is a plight on the future of Australian retail.

That 3 in 10 of the businesses surveyed left a prospective customer without any kind of approach in 5 minutes of being in a store is nothing short of amazing.

And yes, 5 minutes is an eternity in retail. Count to 300 while standing alone in a store and you'll see how completely inappropriate that is.

What can brand leaders be thinking?

To send staff to expensive retail stores without any commitment to the purpose or belief of why they're there, is a serious and chronic problem.

If nothing else, physical retail is about theatre – otherwise we'd all be online.

And theatre must start with the players who are enthusiastic to put on the show.

For Australian retail, the lights seem to be waning and soon enough, the show could come to an end.

The slow boiling frog.

The issue is that retailers are slowly dying - without even knowing it.

The malaise is so wide spread and the apparent inability for the majority of retailers to look up and take lessons from the brilliant minority is so perplexing, that no-one seems to notice what's actually happening.

Like the poor frog who happily splashes around in a big pot of water, not knowing that someone has turned the heat on and it is slowly boiling it to death, Australian retail brands seem unaware of the heat that's under their very existence.

Yes they can see the obvious stuff; the high costs of rental, consumer confidence figures, managing operating expenses and keeping product sourcing keen.

But they miss the real heat – poor staff choices, inferior training, lack of conviction and shoddy performance. This is a people issue driven by an inability for brands to know their real value.

Brand leaders are not teaching staff how to be passionate.

This is not a sales training issue; it's an issue about staff believing in and belonging to a united effort to be special.

Put bluntly, the staff of major brands are simply turning up for work.

They have little sense of why the business they work for actually matters.

They share no sense of belief in why the brand exists nor do they seem to have any real cohesion of belonging to a worthy cause.

They're just there to sell stuff and meet budget.

Which is what they've been trained to do. Rarely does an induction program even include part time staff, let alone cover off anything but process.

This is the rising heat that's slowly killing the retail frog; a lack of conviction and commitment by the people manning the front lines.

And the consumer knows it.

Indeed, we're used to it. It's the status quo. Which is why, when a brand enters the market with conviction, belief and a tribal sense of itself, it excels.

Take the consistent performance of Nespresso, one of just four brands to score perfect marks.

The staff at Nespresso are on a mission. They support the transformational cause of creating a true café experience in every home. Sure the words differ, but in each of the four store visits the story was pretty much the same. They believe what they're doing matters. And everything stems from that.

It's the same at Aesop and Apple and Lush. Consumers love these brands.

And to be clear, for the brands consumers don't feel love for, it doesn't mean instant ruin. Which is half the problem. There is no burning platform because the malaise is so widespread and normal.

Indeed, many brands are appearing to survive well. Consumers tolerate poor brands, opting for a product-centric relationship, waiting for specials and sales, accepting poor service as part of the Australian retail way.

But, given an alternative, the consumer gets excited and is quick to give loyalty.

Otherwise, it's an opportunistic relationship. They help themselves to products they desire – while all the time looking for the chance way to get a deal or take advantage.

This is not loyalty. It's just shopping.

Meanwhile marketing managers are told to target and research, asking the poor old consumer what they should do with their brands and how they should improve.

When the obvious answer comes back in a list of rational demands, the brand scuttles off to make change. Lower prices, improve quality, kill margin.

The simple truth is that brand managers can't expect customers to warn them of the sort of service malaise we have found. For most consumers it's the invisible low.

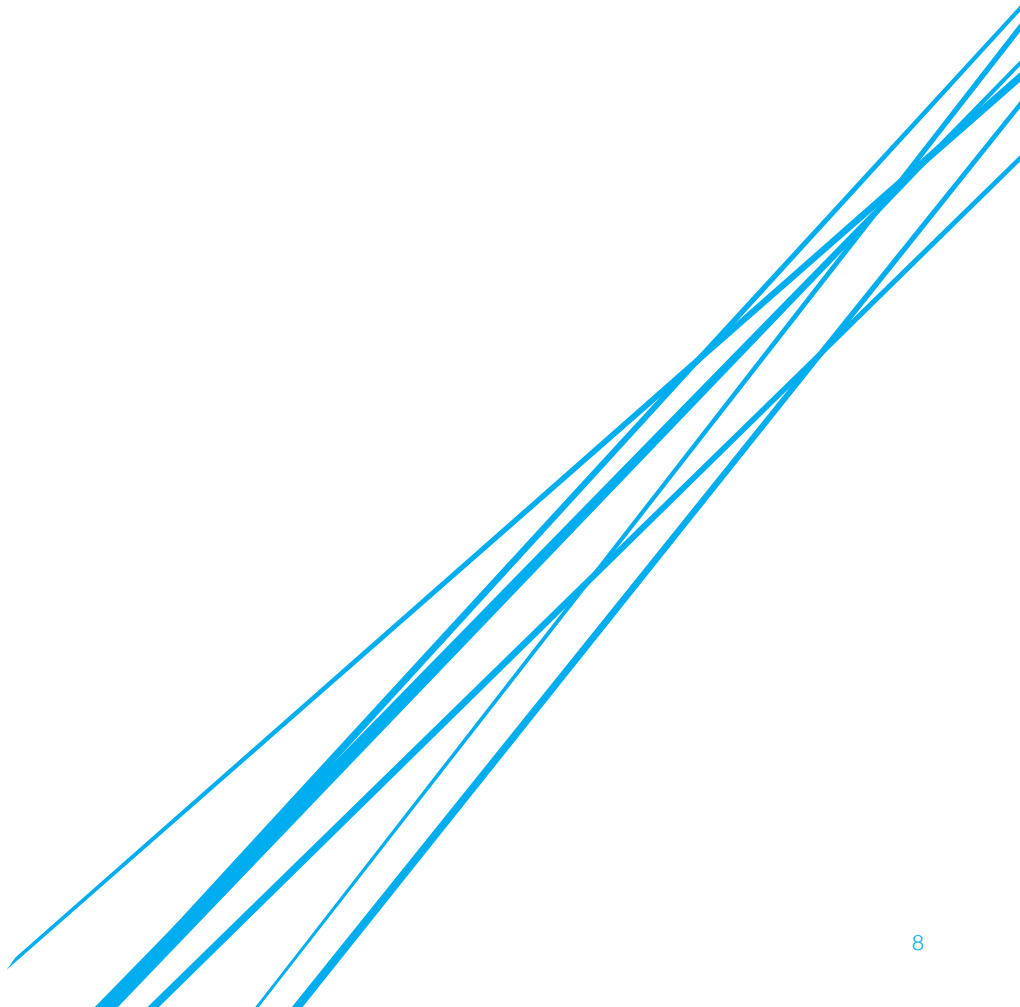
Bad customer service, lack lustre storytelling and lack of conviction aren't real problems to customers. They don't miss it because they're not used to having it. The customer will still turn up, but they'll demand better prices in lieu of great experience.

However – and it's a big however – that doesn't mean we won't defect to online retailing as and when our confidence increases. We still crave a bricks and mortar experience but more and more the online world is enjoying the fruits of bad service.

The online retailing landscape is being served the future on the plate by the apathy and lack of physical brand excellence being shown in retail stores.

More importantly, the majority of brands in shopping centres are vulnerable to new competitors because the level of genuine brand loyalty from Australian consumers is almost non-existent.

Why did we survey Australian Retail?



There's little doubt retailing is in a transition as the online world evolves. As such, we wanted to understand that transition at the coalface, not through countless experts at conferences.

Hammond Thinking and the work of Simon Hammond is essentially cultural anthropology; the study of why humans do what we do. At its heart it examines human nature.

We were keen to find out if human nature had been left out of the advances in retail. If the rush to be more clever and efficient and profitable had left the poor old human consumer behind.

We began two years ago overseas with a global view of retail in Tokyo, London, Milan, Los Angeles, New York, Chicago, Portland, Shanghai, Beijing, Singapore, Paris and a dozen other cities that added to the same story.

The best retail brands in the world were creating narratives, experiences and concepts that treated shoppers as theatre goers. Stories, sentiments and beliefs seduced consumers in stores such as Il Corso Como in Milan, BlueBird in London, Merci in Paris, Chobani in NYC, Kayanoya in Tokyo, Blue Bottle cafes in San Francisco, John Varvatos throughout the US, Pretty Green in the UK, Wholefoods, Blue Star donuts in Portland, John Fluevog, Will leather goods in Portland. R&R in NYC, Lego, Apple, Tesla. Places that presented passion based on a clear reason for existence.

In places such as Portland the streets run rife with storytelling brands, why not here?

Consumers are changing the way they buy goods, and the ways that they can access products is becoming increasingly differentiated with 'bricks & mortar' now playing only a part in the overall offer.

We set out to discover who was moving with the times and who had stood still.

The results of the BE Brands survey were surprising and upsetting.

RED
 BLUE
 GOLD
 BROWN
 OLIVE
 GREY

PERFECT BRAND
 BE BRAND
 STRONG AND PROMISING
 NEED TO MAKE A CHANGE
 BAD AND UNINSPIRED
 DOESN'T DESERVE TO BE RANKED

The Body Shop	100	Lulu Lemon	60	Happy Lab	35	Oroton	20	Diana Ferrari	11
Apple	100	Morrison	60	Marc's	35	Saleras	20	Good Housekeeping	11
Lush	100	Rhodes and Beckett	60	Mountain Design	35	Shaver Shop	20	Ugg	11
Nespresso	100	Rubi Shoes	60	Pottery Barn	35	Tilkah	20	Australian Geographic	10
Levi's	97	Jimmy Choo	58	Armani Jeans	33	1001 Optical	19	Bevilles	10
Aesop	90	Oxfam Shop	58	Mocha	33	Franco Jewellers	19	Country Road	10
Camilla	90	Roger David	58	Tarocash	33	Ralph Lauren	19	Edge	10
Lorna Jane	88	Déclic	57	West Elm	31	Armani Junior	18	G Bags	10
Kikki.K	87	EB Games	57	Matchbox	30	Bardot Junior	18	Industrie	10
Nixon	86	Rodd & Gunn	57	Muji	30	Bras N Things	18	Lovisa	10
Bailey Nelson	85	Lindt	57	Sambag	30	Connor	18	Mimco	10
Build a Bear	85	Ishka	56	Teds	30	Secrets	18	Oakley	10
Suga	85	Guess	55	The AFL Store	29	Yd.	18	Pets at Chadstone	10
Ben Sherman	83	Hardy Brothers	55	Pavement	28	Zara	18	Portmans	10
Mozi	81	Jack London	55	Typo	28	Calibre	17	Riot	10
Gorman	78	Swatch	55	MAC	28	Forever New	17	Seed	10
Merchant	76	Jigsaw	53	Gucci	27	Manning Cartell	17	Universal	10
R.M. Williams	75	Zimmerman	53	New Balance	27	Camper	16	Cue	9
Skin and Thread	75	Bed Bath N Table	52	Saba	27	Seduce	16	Skechers	9
Tiger Lily	74	Georg Jensen	52	Napoleon Perdis	27	H&M	15	Wheel and Barrow	9
Dangerfield	73	M.J. Bale	52	David Lawrence	26	Adidas	15	Armani Exchange	8
Jurlique	73	Supre	51	Amart Sports	25	Blue Illusion	15	Jeanswest	8
Keihls	73	Diesel	50	Burberry	25	Dotti	15	Mazzuchellis	8
Bose	73	Superdry	49	Ecco	25	Escada	15	Platypus	8
Nike	73	Vans	49	Florsheim	25	French Connection	15	Spendless Shoes	8
Alannah Hill	72	Crabtree and Evelyn	48	Kaiser Craft	25	Healthy Life	15	Tiffany.	7
Amelia and Stone	71	Life With Bird	48	Louis Vuitton	25	Jay Jays	15	RDX	6
T.M. Lewin	71	Urban Home Republic	48	Mecca	25	Jericho	15	Athlete's Foot	5
Decjuba	70	Cotton On	47	Metalicus	25	Maggie T	15	Books and More	5
Inglot	70	Aquila	46	Omega	25	Miu Miu	15	Bread Top	5
Koko Black	70	Hype	46	Parev	25	My Size	15	Dick Smith	5
Lacoste	70	Jo Mercer	46	Prada	25	North Face	15	Footlocker	5
Sheridan	70	G Star Raw	45	Windsor Smith	25	Ozmosis	15	GAP	5
White Suede	70	Leona Edmiston	45	464 Politix	24	Prouds Jewellery	15	Robinsons Bookstore	5
Crocs	69	Nine West	45	Elwood	24	Shades	15	Specsavers	5
Review	69	Oxford	45	Kookai	24	Sports Girl	15	Speedo	5
Thomas Sabo	69	Witchery	45	Stuart Weitzman	24	Sportscraft	15	Strandbags	5
Williams Sonoma	67	Zu	45	Laura Ashley	23	Rebel Sports	15	Sunglass hut	5
2XU	66	Karen Millen	43	Bonds	22	Anton Jewellery	13	Surf Dive N Ski	5
Dusk	65	Willow	43	Le Desire	22	Bardot	13	The Asian Store	5
Fossil	65	Just Jeans	42	Middas	22	Bossini	13	Trenerly	5
Peter Alexander	65	Jag	41	Bonds Kids	21	House	13	Carla Zampatti	4
T2	65	Perri Cutten	41	Uniqlo	21	OPSM	13	Games World	4
Ted Baker	65	Salvator Ferguson	41	X Concept	21	Victoria's Secret	13	Adairs	3
Veronika Maine	65	Calvin Klein	40	Swarovski	21	JB Hi-Fi	13	Factorie	3
GNC	65	Edward Meller	40	Angus and Coote	20	Colette	13	Kate Hill	3
Smiggle	64	Emporio Armani	40	Burlington Antiques	20	Bally	13	Priceline	3
General Pants	63	King of Knives	40	Chanel	20	Betts	13	Daiso Japan	2
Kathmandu	63	Quicksilver	40	Coach	20	Autobarn	12	Party Co	2
Aveda	63	Simon Johnson	39	Howards storage world	20	Cotton on Kids	12	Sweet As	2
Aurora Scent	61	Hairhouse Warehouse	38	Hugo Boss	20	Graus Commix	12	ABC	0
Sea Folly	61	Peter Jackson	38	Jacque-E	20	Sass and Bide	12	Pandora	0
L'Occitane	60	Arthur Gallan	35	Mountfords	20	Sussan	12	The Reject Shop	0

The facts

- The survey was conducted between February and August 2015 and involved 'secret store visits' to 265 retail businesses (non food & service) in three shopping centres in Victoria and NSW.
- Major brands had at least two visits. Every visit was done in person by one consistent researcher.
- Each store was evaluated in six areas of proficiency and marked out of 100.

Topline results

- Over 70% of all businesses (189) failed the test.
- Amazingly, over 30% of businesses, (80), failed to even approach a customer.
- 60% of businesses (158) failed in the category of staff commitment with around half of all businesses surveyed (131), receiving a zero score
- 19 businesses, (less than 10%) were rated as good brands by the survey including Levi's, Aesop, Camilla, Lorna Jane, Kikki K, Nixon, Bailey Nelson, Build A Bear, Suga, Ben Sherman, Mozi, Gorman, Merchant, R.M.Williams and Skin & Thread.
- Only 4 brands, Apple, The Body Shop, Lush & Nespresso, achieved perfect scores.
- The recent super global brands that have flooded into Australian retail, including Zara, H&M, Pottery Barn, Muji and Gap, failed the test.
- Some of the world's best super premium brands also failed including Armani, Gucci, Burberry, Prada, Chanel, Coach, Orono, Hugo Boss and Bally.
- In total, over 30 major international brands failed the test despite massive recent investment in Australian 'bricks and mortar' - including Superdry, G Star, Calvin Klein, Laura Ashley, Swarovski, Ralph Lauren, Camper, Adidas, FCUK, North face, Victoria's Secret, Oakley, Vans, Crabtree & Evelyn, Cotton On and Speedo.

The criteria

The theory behind The BE Brands survey is simple; great brands are based on powerfully articulated beliefs that clarify why they exist and why they matter to the world. These beliefs create belonging and tribal behavior. The idea of a belief in retail is one of relevance to popular culture and the simple truths of consumer emotion.

It's a simple view about consumer connection and comes from the history of mankind as we embrace religion, music, sport and the other cultural pursuits that define us.

The truth is, we seek to belong, we seek to align with like minded views and we seek brands that speak for us and define us.

Australian retail seems to totally miss this.

We also seek the theatre of a store experience where we are treated with a passion for why someone believes in what they serve up.

One of the most alarming things to emerge from the survey was the pre-judgement of store staff to potential customers.

The fact is any person can be a sale and for the super premium brands to ignore, or worse still, turn up their noses at our researchers because they didn't fit their perceived demographic target is amazing.

Brands such as John Varvatos and R&R (the hip, western influenced fashion brand of Ralph Lauren) are the new super premium. A Varvatos jacket is several thousands and the staff openly embrace anyone as they come through the door – in that rock star kind of way.

This is where the six part judging criteria works so well.

In judging a brand, Hammond's six part criteria looked at:

First Approach – the welcome.

The First Approach is as simple as a staff member acknowledging a customer's existence within a reasonable time of entering the store. It's the welcome moment. It may not be an approach, but merely recognition that a customer has walked in and a feeling that the brand is pleased to have them there. Without this it is incredibly hard to achieve a passing score. The first approach is a potential 5 out of 100, it's a very small but essential part of the overall score

Second Approach – the contact.

The Second Approach is about actually approaching the customer within 5 minutes of entering a store and asking if they need help or information. Like the First Approach it is a score of a potential 5 out of 100, a small but essential part.

What's The Story?

What's the story is based on both the ability of the employee to convey the reason a brand is important, ie its belief, and the company story. This mark also takes into consideration how the company itself supports this story through other touch points. As a mix of both customer service and company belief, this section is integral in the survey and only the best brands got a perfect score for this section. Scored with a potential 40 out of 100, if this section is poorly handled by the brand, there is little that can be done to recover.

Look and Feel

With a score of a potential 20 out of 100 Look and Feel is based primarily on the store itself linked to what the company is as a whole. Look and Feel is based on that feeling you get when you walk into a store.

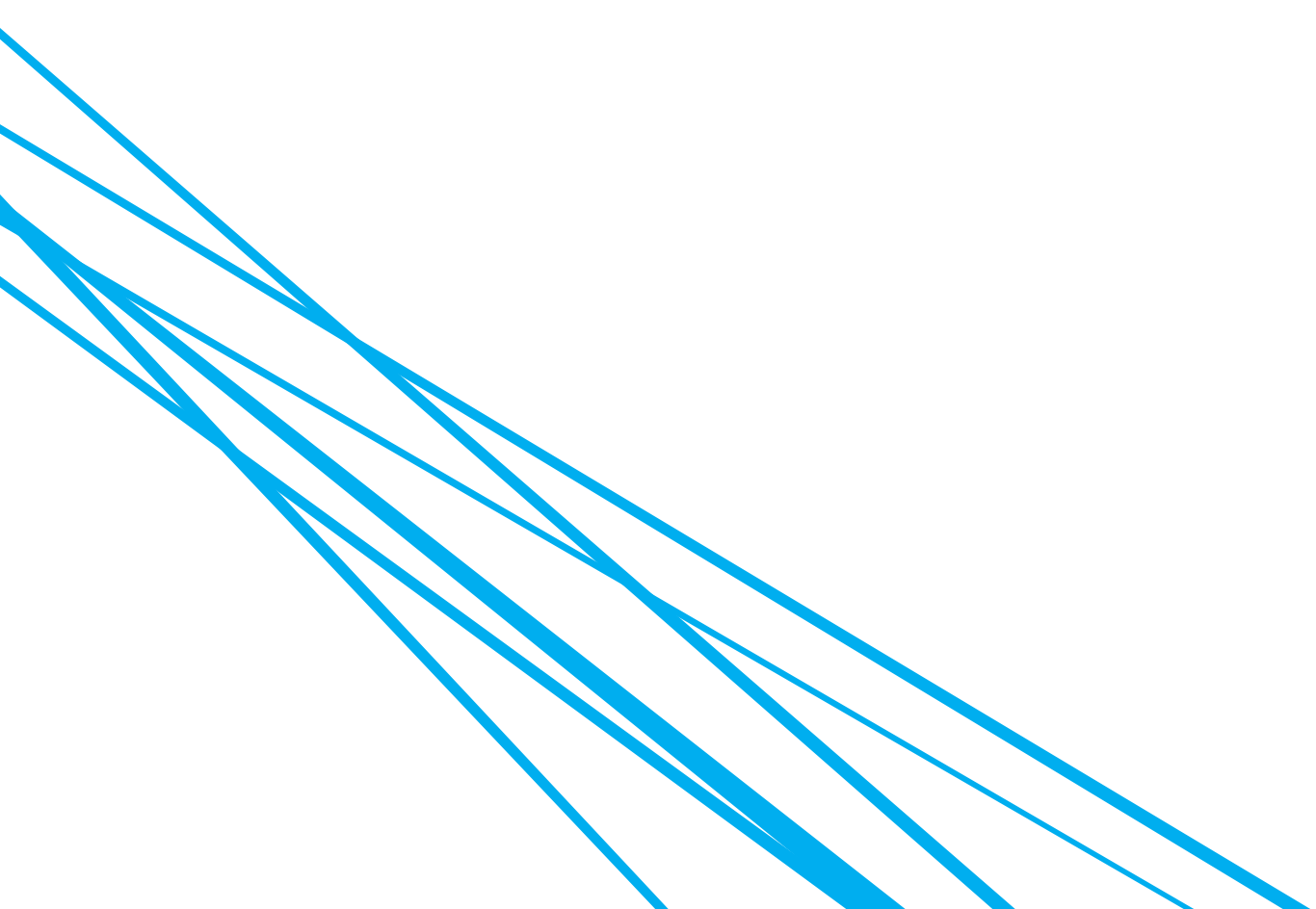
Staff Commitment

Staff Commitment is the section that embodies the customer service side of any good brand. This is a crucial part of the survey and is based on how enthusiastic and knowledgeable the employee is. This aspect is complementary to the look and feel of the store as the store must be a collection of people and point of sale communication. This section is scored with a potential 20 out of 100.

Website

While this is not the most important section, a functional and user friendly website and brand presence is incredibly important to any brand big or small. A brand's website is also very indicative of how the brand presents themselves and of the image of the brand in general. This section is scored with a potential 10 out of 100.

Why bother?



The BE Brands Australian retail survey is not just a survey about profit and success. It's about the X-factor of retail; the ability of a brand to emotionally connect with a customer.

This emotional connection is about what the brand stands for, why it matters, the passion of staff to its story and cause and the theatre of the experience surrounding these factors.

While to many tough business owners this set of factors can feel soft, how can they ignore the power of human interaction as a return on the high investment of bricks and mortar?

The cost of setting up physical retail spaces and running them 7 days a week, as against the relative low cost of online shopping, is a crucial commercial imperative.

Why anyone would accept the hard costs of retail without ensuring a major experience in store is beyond any logic.

The cost of the average retail tenancy is on the rise, largely due to the influx of foreign players, who pushed up Sydney CBD rents by 10.7 per cent and Melbourne by 7.8 per cent, according to a CBRE quarterly report in late 2014 on the retail sectors.

CBRE said domestic retailers must be willing to pay higher rents or relocate to secondary locations. However CBRE said at the time that rents in regional centres will also increase by 2.6 per cent in 2015 and by 2.8 per cent in 2016.

So why bother hanging in there, paying rising rent costs if retailers don't make their retail experiences great?

It beggars belief that anyone controlling a bottom line of a business can't see that service and staff commitment are the best ways to return on investment of physical space.

Yet they seem not to get this.

The global brands pushing prices up are no better – but they can afford to plough dollars into the market to be last ones standing. It's the domestic players that are going to fall.

CBRE says foreign retailers have a competitive advantage of vertically integrated supply chains and economies of scale that enable them to meet higher occupancy costs, while local retailers aren't up to it, lagging international best practice, trying to get by on the protection that the old "tyranny of distance" provided and failing to invest in their businesses in the face of changing consumer tastes and demands.

According to the survey, the likes of Uniqlo, Zara and Gap are relying on this power base, not service or brand belief, to win in the market.

This means it's a much more rapid slippery slope for the entire sector.

For every Zara, there's a potential Daimaru – the Japanese department store that opened with a flourish in Melbourne and subsequently closed.

The strains of increasingly competitive retailing are global. Should retail spending falter, odds are some of the newcomers will too under the weight of expensive establishment costs, never mind those rising rents.

And while a weaker Australian dollar makes those rents look less expensive back at head office, it also means Australian dollar sales and profits don't look as flash.

According to Savills, Melbourne's CBD has become a battle ground, as fierce competition for prime retail locations puts upwards pressure on rents, exacerbated in recent times by an increasing international presence.

In a recent Melbourne Retail Quarter Times report Savills reveals that retail rents in the city have almost doubled in the last four years. Retailers want to be in the best locations possible and rents have been driven skywards by the finite number of premium locations available in the city centre.

According to the report, smaller retailers are paying up to \$14,000 a sqm for space in premium Melbourne CBD locations. Rents in Bourke Street Mall generally range between \$6500 and \$10,000, meaning retailers occupying 100 sqm at the top end of the rental spectrum are paying about \$1 million a year in rent.

At least three tenants are paying between \$10,000 and \$14,000 per sqm. Rents in other parts of the CBD generally range between \$1200 and \$4000 a sqm.

A comparison with rents in the first quarter of 2010 reveals the extent of the recent rental increase. Rents in that quarter ranged between \$800 and \$3250 a sqm in most parts of the CBD and between \$4000 and \$6000 a sqm for prime Bourke St Mall space.

An influx of international retailers looking to muscle in on arguably Australia's most lucrative shopping destination has intensified competition for prime retail locations. Many international tenants look to open their first Australian stores in Melbourne and the city is always attractive to developers.

Apart from sheer space rental fees there is also a growing pressure from major shopping centre brands for more expensive fitouts and passed on costs.

On top of from base rent, tenants are often required to pay variable outgoings - expenses that cover the operation, maintenance or repair of the building or shopping complex, such as security, electricity and water expenses. For spaces in shopping centres, these costs may also include fees for centre management and maintenance of public amenities and car parks.

Some leases may also require you to pay for costs associated to the advertising and promotion of the shopping centre.

Centres may have building standards for shop fit-outs and conditions of the lease may even require tenants to pay for the cost of removing the fit-out when the lease ends. Some landlords ask for key money - a benefit paid in exchange for granting, renewing, extending or assigning the lease. This is not a cash bond and is illegal under some state and territory retail tenancy legislations.

Here are some recent figures from Savills Research and other sources for rental rates in cities across Australia.

Sydney: Retail spaces in Pitt St Mall in Sydney's CBD can go for as much as \$13,600 per square metre (/sqm) per annum! Other places in the CBD can be rented for between \$500 and \$4,000/sqm. In suburbs such as Newtown, Bondi, Balmain, and Manly, you can expect to rent prime properties for between \$800/sqm to \$2000/sqmvii.

Melbourne: Retail rent rates in the Melbourne CBD generally range from \$1,200/sqm to \$4,000/sqm, with occupants in Bourke Street mall paying anything between \$6,500/sqm and \$10,000/sqmviii. Rents along the famous Chapel Street can be between \$600-\$750/sqm (in the Windsor area) to \$1,300-\$1,500/sqm (in the South Yarra area)ix.

Brisbane: In Brisbane's CBD, retail spaces are rented for between \$750/sqm and \$1,700/sqm. For properties in Queen St Mall, the rates range from \$2,700/sqm to \$7,000/sqm.

Canberra: Rental rates for A-grade properties in Civic and the city range between \$390/sqm and \$460/sqm, while B-grade properties go for slightly lower, ranging from \$350/sqm to \$385/sqm.

Adelaide: In Adelaide's premiere retail area, Rundle Mall, occupants can pay between \$2,000/sqm and \$3,700/sqm. Retail strips such as Jetty Road, King William Road and Parade Street cost between \$450/sqm and \$1,250/sqm.

Perth: If you want to rent in the prime shopping area Hay St Mall you can expect to pay between \$2,200/sqm and \$5,000/sqm. Other areas of the CBD range from \$650/sqm to \$2,500/sqm.

Apart from occupancy costs, running a business also involves marketing expenses and fit-out costs.

So again, it begs the question; why wouldn't any brand facing such costs ensure the people manning these expensive brand assets aren't the very best they can be.

While global names such as H&M, Brooks Brothers, Uniqlo, Muji and Forever 21 are changing the face of Australia's high streets, local brands have admittedly learnt to adapt their business model to account for this influx.

Domestic brands are making smarter property decisions and improving their production lines allowing them to counter balance the effect that overseas brands have had on their market share.

But the one area they can slam dunk is local service and committed belief by staff.

The Australian consumer is prepared to pay more for quality items. Well-known national retailers, such as Sportsgirl, T2 and R.M. Williams will retain their place in malls and city centre precincts because of their quality offering.

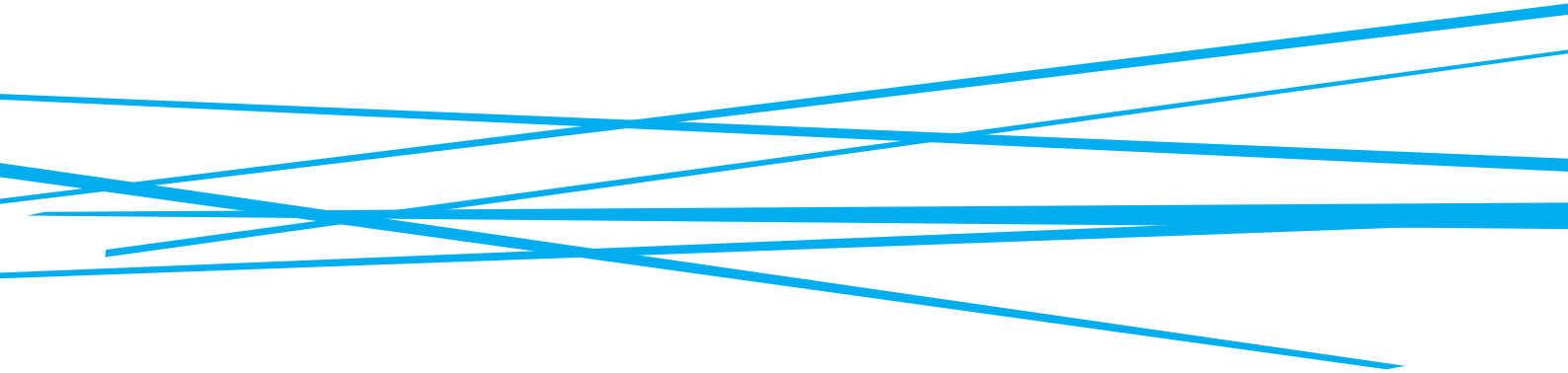
But we're also prepared to pay for better experiences, for stories, for a brand that we feel a part of.

Larger international brands have filled a gap in the market offering cheaper, fast fashion. Nonetheless, discerning shoppers will remain loyal to domestic brands when it comes to mid-market, higher quality products and passion.

An increase in pop-up and experiential retail concepts in high streets across major Australian cities is a good sign. These promotional campaigns usually only last a couple of days, however, they create a great buzz on the main shopping strips across the country.

Australians are well travelled and familiarise themselves with new brands while overseas. Upon returning to Australia they look to buy these brands online. As a result, online stores were experiencing unprecedented levels of demand which prompted their decision to establish physical stores.

The distraction of technology.



Technology should be an enabler, not a definer.

Yet, time and time again so called retail gurus are lauding the power of integrated physical and online spaces, introducing mind blowing technology into touch screens and interactivity in store.

They miss the point and take us further from the solution.

People, not technology, will save the retail space.

The more we add techno gadgets, designed to 'help' the customer with a more seamless experience, the more the brand staff will sign out.

The McDonalds experiment of build your own burger is a clever way around this pitfall. It uses technology to elevate its staff and re-introduce their importance as service deliverers.

It's a great example of clever new age retailing.

Not sure how clever it is to call it 'un-McDonald's, but nonetheless it is leading to better human interactions as staff come from behind the counter to deliver the individual burger.

It's very tempting for the retail sector to turn to technological interactivity to excite and delight customers, however this is merely distracting from the very large elephant sitting in the middle of the beautifully curated retail space.

Sure, we must add connectivity, tailored offers and all the other wonderful advances in consumer interactivity – but in place of traditional committed service.



The new era of cattle retail.

The big global retailers are all about stock. In fact, they've replaced service professionals with stock controllers.

Stock is king. Plenty of it, cheaply made, with big margins and large turnover. It's designed to sell itself while the customer is enticed to graze through the stock with well presented point of sale and loads of choice.

This is the feeling you now get in the mega retail brands such as Uniqlo and H&M where their buying power and sheer size attracts stores full of people looking for bargains.

Amazingly there is little or no expectation for service in these stores. As consumers, we have adjusted to the offer. It's loads of stuff and great prices. Help yourself!

The staff aren't there for personalized or passionate service; they are there to service the stock – not us. Point of sale is designed to enable you to find the right stock. You then line up to try it on and line up to check out.

The emergence of this mega brand self serve culture, where it's virtually a three dimensional online store and people are forced to help themselves, is a slippery retail slope.

Sure, the mega brands with stock power and buying clout can win this game and eventually reduce staff costs.

The problem is, other smaller retailers are following their lead and doing so at their peril.

The fact is, local brands need more than stock control to survive – they need connection and belief.

Smaller brands must be differentiated by service and story.

In our survey, H&M was visited on a few occasions and each time there were plenty of staff and each time the staff has no desire to approach customers.

In 25 minutes no approach was made.

There were plenty of customers helping themselves and quite happy to do so. They then lined up for 15 minutes for the right to try the clothes on.

Why? Because the stock is plentiful and cheap.

The staff were tending the stock. Arranging, replacing, ensuring the stock was happy.

It's help yourself retailing.

At one stage four staff were talking a metre from me and I was trying hard to look in need. I got nothing.

Not once did they notice let alone want to ask if I needed help.

For them It's all about the checkout.

Saw over 12 staff but none were with customers. They were all with stock.

And let's be clear, the stock is great. The colours, the range, the clarity of ticketing. It's all excellent. But it means it's a 3D online experience.

Uniqlo was the same.

It took 7 minutes for eyes to even make contact and there was no interest to ask if I needed help.

Again, many staff tending to the beloved stock.

We call this Cattle Shopping.

We're manoeuvred, poked, prodded and coraled into a final moment where we're relieved of our credit cards and cash.

For the future, Australian retailers have a clear choice. They either try to compete with the mega stock cattle retailers or they offer something completely different. It seems at present they do neither.



The future.

The way out of this problem can be easily seen by watching a brand master, Richard Branson.

At the recent AFL finals he was the guest of the league and at the third break of the Elimination Final between Adelaide and the Bulldogs, he was asked by Sam Lane who he was supporting.

He said with conviction and without a hesitation that because Virgin was an underdog brand, he would go for the underdogs, the Bulldogs.

That moment is how a brand succeeds.

It knows itself and it lives its core belief at every opportunity.

When you go into Apple and ask about the brand, they welcome the question and their eyes glow with passion for what they believe in. They love their brand. And it doesn't matter who you are; an 80 year old luddite or a 16 year old uber cool techno geek. They'll be the same to them all.

Yet time and time again in our survey, as our researcher approached a sales person in a shoe shop and asked about the brand, they were told it was a shoe shop.

Do they not understand how demeaning to the customer that is?
Do they not think we know it's a shoe shop?

The opportunity to explain 'why this shoe shop' over the dozens of others is the clear opportunity but staff seem disinterested.

In many cases they are simply too scared to answer, referring such curly questions to head office.

The future is in turning this around.

Every person in a brand needs to know why it exists – beyond product.

Retailing is theatre and the staff are the players in presenting the story of a brand.

That's the only future left to bricks and mortar retailing.

	First Approach	Second Approach	Whats the Story	Look and Feel	Staff Commitment	Website
1001 Optical	5	0	0	10	0	4
2XU	5	5	25	11	10	10
464 Politix	5	5	0	10	5	4
ABC	0	0	0	0	0	0
Adairs	0	0	0	3	0	0
Adidas	5	0	0	5	0	5
Aesop	5	5	33	20	20	7
Alannah Hill	5	5	25	18	10	9
Amart Sports	5	5	5	5	5	0
Amelia and Stone	5	5	25	18	10	8
Angus and Coote	5	5	0	10	0	0
Anton Jewellery	5	5	0	0	0	3
Apple	5	5	40	20	20	10
Aquila	5	5	10	10	10	6
Armani Exchange	0	0	0	5	0	3
Armani Jeans	5	5	5	5	10	3
Armani Junior	5	0	0	5	5	3
Arthur Gallan	5	5	5	10	5	5
Athletes Foot	0	0	0	5	0	0
Aurora Scent	5	5	20	5	10	6
Australian Geographic	0	0	0	10	0	0
Autobarn	0	0	0	10	0	2
Aveda	5	5	20	16	12	5
Bailey Nelson	5	5	25	20	20	10
Bally	5	0	0	10	0	3
Bardot	0	0	0	10	0	3
Bardot Junior	5	0	0	10	0	3
Bed Bath N Table	5	5	10	15	10	7
Ben Sherman	5	5	30	19	20	9
Betts	0	0	0	8	0	5
Bevilles	5	0	0	5	0	0
Blue Illusion	0	0	0	10	0	5
Bonds	5	0	0	11	0	6
Bonds Kids	5	0	0	10	0	6
Books and More	0	0	0	5	0	0
Bose	5	5	30	10	15	8
Bossini	5	0	0	3	0	5
Bras N Things	0	0	0	13	0	5
Bread Top	0	0	0	5	0	0
Build a Bear	5	5	25	20	20	10
Burberry	5	5	0	10	0	5
Burlington Antiques	5	5	0	5	0	5
Calibre	5	0	0	7	0	5
Calvin Klein	5	5	10	5	10	5
Camilla	5	5	30	21	20	9
Camper	5	0	0	5	0	6
Carla Zampatti	-1	0	0	5	-1	1
Chanel	0	0	0	15	0	5
Coach	0	0	0	15	0	5
Colette	5	0	0	4	0	4
Connor	5	5	0	5	0	3
Cotton On	5	5	10	10	10	7
Cotton on Kids	0	0	0	5	0	7
Country Road	0	0	0	5	0	5
Crabtree and Evelyn	5	5	5	15	10	8

Crocs	5	5	25	10	18	6
Cue	0	0	0	7	0	2
Daiso Japan	0	0	0	0	0	2
Dangerfield	5	5	30	13	15	5
David Lawrence	5	5	2	5	5	4
Decjuba	5	5	25	15	15	5
Déclic	5	5	20	11	10	6
Diesel	5	5	3	10	15	2
Diana Ferrari	0	0	0	5	0	6
Dick Smith	0	0	0	5	0	0
Dotti	0	0	0	8	0	7
Dusk	5	5	15	15	20	5
EB Games	5	5	25	0	20	2
Ecco	5	5	5	5	0	5
Edge	0	0	0	5	0	5
Edward Meller	5	5	10	5	10	5
Elwood	5	0	0	12	0	7
Emporio Armani	5	5	5	10	10	5
Escada	5	0	0	5	0	5
Factorie	0	0	0	0	0	3
Florsheim	5	5	0	5	5	5
Footlocker	0	0	0	2	0	3
Forever New	5	0	0	7	0	5
Fossil	0	0	20	20	15	10
Franco Jewellers	5	5	0	5	0	4
French Connection	5	0	0	5	0	5
G Bags	0	0	0	5	0	5
G Star Raw	5	5	10	5	15	5
Games World	0	0	0	4	0	0
GAP	0	0	0	0	0	5
General Pants	5	5	25	8	15	5
Georg Jensen	5	5	15	10	10	7
GNC	5	5	20	15	10	10
Good Housekeeping	0	0	0	5	0	6
Gorman	5	5	25	20	15	8
Graus Commix	5	0	0	6	0	1
Gucci	5	0	0	15	0	7
Guess	5	5	15	10	15	5
H&M	0	0	0	10	0	5
Hairhouse Warehouse	5	5	15	0	10	3
Happy Lab	0	0	0	20	5	10
Hardy Brothers	5	5	10	10	20	5
Healthy Life	5	5	0	2	0	3
House	0	0	0	8	0	5
Howards storage world	0	5	0	0	10	5
Hugo Boss	5	0	0	10	0	5
Hype	5	5	20	7	5	4
Industrie	0	0	0	5	0	5
Inglot	5	5	25	15	15	5
Ishka	0	5	20	20	5	6
Jack London	5	5	10	18	10	7
Jacque-E	5	5	0	5	0	5
Jag	0	5	10	13	5	8
Jay Jays	5	0	0	5	0	5
JB Hi-Fi	5	0	0	5	0	3
Jeanswest	0	0	0	3	0	5
Jericho	5	5	0	0	0	5

Jigsaw	5	5	10	15	10	8
Jimmy Choo	5	5	15	12	15	8
Jo Mercer	5	5	10	10	10	6
Jurlique	5	5	25	20	13	10
Just Jeans	5	5	10	7	10	5
Kaiser Craft	5	0	0	10	0	10
Karen Millen	5	5	10	10	10	3
Kate Hill	0	0	0	0	0	3
Kathmandu	0	5	20	10	20	8
Keihls	5	5	20	15	18	10
Kikki.K	5	5	30	20	20	7
King of Knives	5	5	5	5	15	5
Koko Black	5	5	20	20	10	10
Kookaï	0	0	0	16	0	8
L'Occitane	5	5	10	20	10	10
Lacoste	5	5	25	15	15	5
Laura Ashley	5	5	3	5	0	5
Le Desire	5	5	0	7	0	5
Leona Edmiston	5	5	5	15	10	5
Levi's	5	5	38	19	20	10
Life With Bird	5	5	10	13	10	5
Lindt	5	5	10	12	5	10
Lorna Jane	5	5	30	20	18	10
Louis Vuitton	5	0	0	15	0	5
Lovisa	5	0	0	0	0	5
Lulu Lemon	5	5	10	20	10	10
Lush	5	5	40	20	20	10
M.J. Bale	5	5	10	15	10	7
MAC	5	5	5	4	4	5
Maggie T	5	0	0	5	0	5
Manning Cartell	5	0	0	7	0	5
Marcs	5	5	5	5	10	5
Matchbox	5	5	0	5	10	5
Mazzuchellis	0	0	0	3	0	5
Mecca	5	5	0	5	5	5
Merchant	5	5	25	20	14	7
Metalicus	0	0	10	5	5	5
Middas	5	5	0	7	0	5
Mimco	0	0	0	5	0	5
Miu Miu	5	0	0	5	0	5
Mocha	5	5	5	3	10	5
Morrison	5	5	15	12	15	8
Mountain Design	5	5	5	10	5	5
Mountfords	5	0	0	5	5	5
Mozi	5	5	30	15	20	6
Muji	0	0	0	20	0	10
My Size	0	0	0	10	0	5
Napoleon Perdis	5	5	0	2	10	5
Nespresso	5	5	40	20	20	10
New Balance	5	5	0	7	5	5
Nike	5	5	23	14	20	6
Nine West	5	5	10	10	10	5
Nixon	5	5	25	20	20	11
North Face	5	0	0	5	0	5
Oakley	0	0	0	5	0	5
Omega	5	5	0	5	5	5
OPSM	5	0	0	5	0	3

Oroton	5	5	0	5	0	5
Oxfam Shop	5	5	15	15	10	5
Oxford	5	5	10	10	10	5
Ozmosis	0	0	0	10	0	5
Pandora	0	0	0	0	0	0
Parev	5	5	0	5	5	5
Party Co	0	0	0	0	0	2
Pavement	0	5	5	3	10	5
Perri Cutten	5	5	10	5	10	6
Peter Alexander	5	5	15	18	15	7
Peter Jackson	5	5	3	14	5	6
Pets at Chadstone	0	0	0	5	0	5
Platypus	0	0	0	3	0	5
Portmans	0	0	0	5	0	5
Pottery Barn	5	0	0	20	0	10
Prada	5	0	0	15	0	5
Priceline	0	0	0	1	0	2
Prouds Jewellery	5	5	0	0	0	5
Quicksilver	5	5	10	5	10	5
R.M. Williams	5	5	20	20	15	10
Ralph Lauren	0	0	0	12	0	7
RDX	0	0	0	3	0	3
Rebel Sports	0	0	0	10	0	5
Review	5	5	25	12	15	7
Rhodes and Beckett	5	5	20	13	10	8
Riot	5	0	0	0	0	5
Robinsons Bookstore	0	0	0	5	0	5
Rodd & Gunn	5	5	15	20	5	7
Roger David	5	5	15	15	10	8
Rubi Shoes	5	5	20	13	12	5
Saba	5	0	0	12	0	10
Saleras	5	5	0	0	5	5
Salvator Ferguson	5	5	10	10	5	6
Sambag	5	5	0	8	5	7
Sass and Bide	0	0	0	5	0	7
Sea Folly	5	5	17	14	15	5
Secrets	5	5	0	3	0	5
Seduce	0	0	0	10	0	6
Seed	0	0	0	5	0	5
Shades	5	5	0	0	0	5
Shaver Shop	5	5	0	0	5	5
Sheridan	5	5	25	15	15	5
Simon Johnson	5	5	5	12	5	7
Skechers	0	0	0	4	0	5
Skin and Thread	5	5	25	20	10	10
Smiggle	5	5	20	15	15	4
Specsavers	0	0	0	0	0	5
Speedo	0	0	0	0	0	5
Spendless Shoes	0	0	0	3	0	5
Sportsgirl	0	0	0	9	0	6
Sportscraft	5	0	0	5	0	5
Strandbags	0	0	0	0	0	5
Stuart Weitzman	5	0	0	14	0	5
Suga	5	5	30	20	15	10
Sunglass hut	5	0	0	0	0	0
Superdry	5	5	15	12	10	2
Supre	5	5	15	10	10	6

Surf Dive N Ski	0	0	0	5	0	5
Sussan	0	0	0	7	0	5
Swarovski	0	0	0	15	0	6
Swatch	5	5	15	15	10	5
Sweet As	0	0	0	0	0	2
T.M. Lewin	5	5	22	15	16	8
T2	5	5	20	20	5	10
Tarocash	5	5	5	9	5	4
Ted Baker	0	5	20	15	15	5
Teds	5	5	0	5	10	5
The AFL Store	5	5	5	4	10	0
The Asian Store	0	0	0	5	0	0
The Body Shop	5	5	40	20	20	10
The Reject Shop	0	0	0	0	0	0
Thomas Sabo	5	5	24	12	15	8
Tiffany	0	0	0	5	0	2
Tiger Lily	5	5	32	12	15	5
Tilkah	5	0	0	10	0	5
Trenerly	0	0	0	2	0	3
Typo	5	0	0	20	0	3
Ugg	5	5	0	0	0	1
Uniqlo	5	0	0	10	0	6
Universal	0	0	0	5	0	5
Urban Home Republic	5	5	15	8	10	5
Vans	5	5	5	12	15	7
Veronika Maine	5	5	25	10	15	5
Victoria's Secret	0	0	0	8	0	5
West Elm	5	0	0	20	0	6
Wheel and Barrow	0	0	0	5	0	4
White Suede	5	5	20	15	15	10
Williams Sonoma	5	5	15	20	15	7
Willow	5	5	5	15	8	5
Windsor Smith	5	5	5	5	0	5
Witchery	5	5	10	10	10	5
X Concept	5	5	0	1	10	0
Yd.	5	5	0	5	0	3
Zara	0	0	0	13	0	5
Zimmerman	5	5	15	10	10	8
Zu	5	5	15	7	10	3

Thank you.

A publication by

