

# A New York Story

By Paco Underhill

**A** while back, two stories ran in the morning's newspapers. The first announced that Macy's would close 100 stores. Good move. Many large U.S. chains would be a lot healthier if they shed underperforming properties. Macy's will not be the last. The trade-off between serving customers and serving Wall Street, which demands growth and rising stock prices, has put publicly traded merchants in a tough spot. Terry Lundgren did a great job trying to buy time. But his time ran out.

The second story, "Store Wars," ran in "The Wall Street Journal" and pointed out that New York City was getting its first Neiman Marcus and Nordstrom stores, giving Macy's, Bloomingdales and Saks Fifth Avenue some much-needed competition. A tough playing field is going to get even tougher. Or will it?

## Deep Foundations

The existing New York big three—Bloomingdale's, Saks and Macy's—sit on historic properties. Bloomingdale's is a complex of buildings cobbled together over the past hundred years. Planners have dreamed of closing the store, tearing it down and opening a modern high-rise, making some dreams of living at Bloomingdale's a reality. The endeavor would take at least four years. The best offshore example of this mixed-use real estate transformation is Tokyo Midtown, a mall with a high-end grocery store, hotel, commercial office space and lots of residential. Just as we see with the Time Warner Center, lots of busy people are willing to pay a premium for convenience living.

The makeover of Macy's Herald Square was done piecemeal, with no overarching strategy, as if the architect was asked to do the job with one hand and one foot tied

behind. Sitting at the crux of the historic Garment District and corporate New York City, it is a rambling 19th century building designed for the shopper of a different era. Is it a masterpiece or a white elephant? Harrods, Selfridges, and Le Bon Marche all pull it off at an analogous scale. They are gorgeous palaces, heralding the belief of looking and feeling better. Macy's isn't. Bendel's, which has one of the most aesthetically beautiful, historic architectural design legacies, is a shadow of its former self.

Of the three, Saks might have the best structural bones. But like the other two, it sits on the aging fashion legacies of old New York. Is it exciting? Is it relevant? Does it matter? Is it interesting architecturally? Despite the influx of global tourists, none of the New York retail icons match the efforts of the Paris and London department store giants in appealing to, and facilitating the shopping passions of, emerging wealth.

## Get Real

For more than 30 years my company, EnviroSell, has studied retail issues. Here are some simple suggestions for U.S. retailers that we found work and that require savvy CRM, analytics, marketing strategies, and—above all—customer empathy programs.



## 1. Onboarding

Start marketing to offshore tourists from the minute they board the airplane. Give them discount cards and access to personal shopping. Access the language skills of your staff and leverage those to maximize clear communication. Appeal to each customer. Use internal communication systems to connect the visiting shopper to the right person who can help them. Update menus in your restaurants; you don't have to necessarily change the food, but the menus need to be in multiple languages. Give doormen and staff restaurant cards to hand out so people know where to go to eat in your store. For example, I love the Le Train Blu at Bloomingdale's, but I never intuitively think of it and often struggle to find it. Size matters. Be strategic with sizing conversion charts. Ask your vendors to include global sizing tags on the garments you buy.

## 2. Mobility

Every multi-story store struggles to move people up and down. However crowded the first floor is, the eighth floor is usually empty. Many Japanese and European department stores put all the restaurants on the top floor. The visitor has a series of enticing choices. At the store entrance there are displays of the restaurant menus, which ensures that customers select places that match their tastes with their pocketbooks. Some Japanese stores have lounges on their top floors, and if you carry the store-branded credit card, own the company stock, or have a history of annual spending over a certain amount, you get lounge privileges. This means you have a place to park your husband, use the restroom, enjoy drinks and snacks, and sometimes take in a fashion show.

## 3. It's All About Me

Leverage your staff's curatorial skills and reinvent personal shopping. You cannot overestimate the power of me and my "affinity tribe." Millennials recognize the need to look good. They tend to look good through online purchases. The way you can combat online shopping is by bundling. We call it an extension of closet consulting at various price points. You can help build someone's wardrobe







as a trusted consultant with expertise to source the right stuff for the right occasion. We all know about the importance of relationships. We just need to find a place to make it stick.

#### 4. What Business Are You In?

Be careful about going from a merchant to becoming a landlord. The model of having leased shop-in-shops under your roof works with some brands. But these partnerships need to be mutually beneficial relationships. Beware of bowing to the ego of the brands. You may be doing a disservice to many of your customers. Consider how many people actually shop by brand. The answer is smaller than you think, especially in apparel. And especially among millennials who rarely dress head-to-toe in a brand.

#### 5. Optics

Visual merchandising and lifestyle graphics need to reflect context. Where could that garment be worn? The most important part of the apparel business is not Saturday night, but the uniforms people wear Monday through Friday. Educated millennial women are flocking to professions such as banking, law, insurance and business management. Aim to be their go-to place for these uniforms.

#### 6. Cross Borders

Tourism in New York and other gateway cities has never been stronger. Just hang out on Bleecker Street and listen to the language confetti. The key to the department store business is not foot traffic; it is the right foot traffic. Focus on New York's elite hotels. Offer package delivery, restaurant privileges, complimentary personal shopping and limo service. Access is a marketing tool. My foreign

colleagues are puzzled that New York department stores seem so clueless about marketing to the visitor and making it easy and enticing to shop.

### New Kids in Town

The new Nordstrom on 57th Street is huge. It will be fresh and modern. It will have its legendary customer service and the advantage of being able to design for the 21st century. I hope they duplicate the escalators of San Francisco Centre which are as close to a retail roller coaster as I'll ever board.

Manhattan's Hudson Yards in West Midtown and the new Neiman Marcus is about shifting urban weight. Thanks to the High Line, Chelsea galleries and Hudson River (always magnificent and now cleaner than it has been since the 1840s), the West Side of Manhattan is transforming. Neiman's has always had a connection to the world of fine art. I am often startled by what I find in odd corners of the store. With an anchor in the cultural capital of North America, we hope they leverage that connection to the galleries and the New Whitney Museum to the south.



### Icons

Midtown is still midtown and Herald Square is still one of the great crossroads of the world. Aging real estate has merits. My Chinese colleagues marvel at the manual elevator in my office building and are shocked that I actually have a working fireplace in my office. How many

people know about the wooden escalators in Macy's? On the Ile Saint Louis in Paris, the small island in the middle of the Seine just east of Notre Dame, many of stores have gone old school with simple signs in the windows which roughly translate as "please come in." They play off the feeling that size is intimidating to would-be shoppers. They also seek to overcome the premise that makes so many customers nervous, that if you walk in the door, you are expected to make a purchase. They know that in the 21st century, if they can't get you in the door, they'll never make the sale.

### Endpaper

At end of the 19th century Ladies Mile was a 28-block area between 15th Street and 24th Street in New York where the department store was invented to serve the carriage trade. The experience was magical. Shoppers got see new things and imagine the possibilities.

I say, get back to the magic and you won't need to reopen those 100 tired, unproductive properties. Instead, focus on your landmarks and winners with strategies that resonate with locals and visitors. Look for the openings in our cultural shifts and behaviors to find the niches to appeal to groups of customers. Make it engaging, experiential and relevant. Bring back the human touch, the human connection and the habit of revering customers with respect, and even curiosity. Celebrate who you are with your unique personality. Make a visit to your store more than a utilitarian chore. Make it worth my time, and I'll make it worth my money. RR



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*Paco Underhill leads a behavioral research and consulting firm with 10 offices globally. Paco and Envirosell's work has been featured in The New York Times, 20/20, National Public Radio, Smithsonian Magazine, Wall Street Journal, and other major news media. Paco is also the author of What Women Want, which was published in soft cover edition by Simon & Schuster in July 2011; Call of the Mall, a walking tour of the American shopping mall; and Why We Buy, the bestselling book about retail in history. In addition, Paco's columns include regular features in major trade publication DDI Magazine.*

