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## Retail CEOs Debate: Do We Even Need Our Stores?

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NEW YORK (TheStreet) -- If you're still in doubt that a major shift is taking place in the retail sector, peruse the roster of speakers who took the podium for the **Financo** Forum held in New York City Monday night.

What has traditionally been an A-list panel consisting of department store veterans and merchandizing big-wigs, was this year revamped to include a slew of social media execs and techies.

Financo, an investment banking firm that caters solely to the merchandising sector, has been hosting this buzz-worthy event for 21 years, usually igniting rigorous debates (and the occasional raucous one) among the list of CEOs in attendant.

But the panel, which included Rue La La's CEO Ben Fischman, Google's(GOOG\_) retail industry director Daniel Schock, Lululemon Athletica(LULU\_) founder Chip Wilson and Facebook executive Stephen Zangre, was subdued this year. CNBC anchor Nicole Lapin moderated the round-table discussion, along with Financo's chairman Gilbert Harrison.

Technology's impact (specifically Facebook and Google) on the retail industry was the push-button topic, drawing among the 300-plus attendees in the room a veritable "Who's Who" in the industry, including J.Crew's(JCG\_) Mickey Drexler, Saks'(SKS\_) Steve Sadove, Coach's(COH\_) Lew Frankfort and footwear mogul, Steven Madden, all questioning if their companies are doing enough.

"We have been successful not because we are selling merchandise at a value, but because we are creating urgency and excitement," Fischman said. Rue La La, whose parent is GSI Commerce(GSCI), is an invitation-only sample sale site. "It's about the sex and sizzle," Fischman continued.

Darts were thrown at Amazon(AMZN\_), which did not have a representative at the Harmonie Club, as the panelists likened the e-commerce giant to Wal-Mart(WMT\_). While Amazon owns a foothold in nearly every category, Fischman said Amazon isn't a merchandiser. "There's no theater there," he said. "Amazon is about convenience, but great retail isn't about convenience."

Indeed, the panelists all agreed that in order for brick-and-mortar to compete with Amazon, the focus needs to be on elevating service. Likewise, all agreed that mobile shopping will be at the forefront in 2011. "If only now you are starting to think about creating a mobile app, you are incredibly late," Fischman warned.

Still, with hundreds of new devices unveiled at the Consumer Electronic Show held in Las Vegas last week, Fischman contended that the trick isn't attempting to build an app for each. Instead, he said, the trick is to partner with leaders like Facebook and Google.

"Search is Google," Fischman said.

Schock noted that Google's "Places" tool will also be key for retailers in coming months, allowing shoppers to "check in" with retailers when visiting stores and receive personalized discounts.

With more shoppers adopting online shopping, the well-dressed 800-pound gorilla in the corner was the question: Is there still a place for brick-and-mortar stores? Considering that the room was predominantly filled with old-school retail execs, the answer was, not surprisingly, a resounding "yes."

"Our stores still make up 85% to 90% of our business," Sadove noted. "Even if online doubles or triples, our stores would still be a critical part of our business."

Michael Gould of Bloomingdales, a division of Macy's(M\_), agreed that the "store is the brand."

But this doesn't mean all brick-and-mortar retailers are destined to survive. One audience member questioned the future of struggling entities Best Buy(BBY\_), Borders(BGP\_)and Barnes & Noble(BKS\_).

Harrison chided both Borders and Barnes & Noble for not launching e-reader devices sooner. "[They] should have been in with an e-reader five years ago before anyone else got into the business," he said.

"Technology is killing them."

While the group agreed that commodity-driven retailers are in danger, since it's difficult to compete with big-box retailers on price for a flat-panel television and other big-ticket electronics, Wilson said retailers can win with commodities if they facilitate consumer traffic with excitement.

For some, the conversation was a source of reassurance that their Internet and mobile strategies are on the right course.

The goal for the sector seemed clear, as all agreed that Apple's(AAPL\_) seamless integration of multiple elements was the ideal model for all retailers to emulate.

Saks, for one, is present both socially with a Facebook page and on cell phones with an m-commerce site. "The consumer wants to get stuff how and when they want it," Sadove said. "You have to be playing on every format. You can't do everything, but ignoring Internet and mobile is silly. Maybe that means one year you can't open as many stores as normal, but the returns we are seeing from the Web are worth it."

Still, others left the Harmonie Club uneasy. Privately-held department store Lord & Taylor openly admitted that its Internet strategy has been lagging competitors, having launched an e-commerce site just two years ago and having not even entered the developmental stages for mobile.

Lululemon is also struggling to build its mobile presence, after killing its first attempt at an application when it discovered that a similar app was already in existence. Wilson said the company is in the process of giving it a second go.

Our advice: This time, they might want to get it right -- and soon.