RETAIL EXPERT EDGAR ROSENBERGER

'IT'S ALL ABOUT THE CUSTOMER'

IF ANYBODY IS PASSIONATELY INVOLVED IN INTERNATIONAL RETAIL BUSINESS, IT IS EDGAR ROSENBERGER. HE ESTABLISHED VERTICAL AS WELL AS MULTICHANNEL RETAIL CONCEPTS BEFORE PEOPLE WERE EVEN TALKING ABOUT THEM. TODAY HE ADVISES ENTREPRENEURS AND CORPORATIONS WITH HIS KNOW-HOW. HIS GUIDING PRINCIPLE HAS ALWAYS BEEN TO SEE THINGS FROM THE CUSTOMER'S POINT OF VIEW.

Interview **Sabine Kühnl** / Photo **Michael Mann**

A number of stages mark the career path of Edgar Rosenberger, who has worked in the retail and fashion business for over 30 years, speaks five languages and divides his time between the headquarters of his company in Hamburg and trips throughout the world.

After earning a master's degree in Business Administration in Mannheim in 1977, he launched his professional career in Sweden (at Saab) and France (with the German-French Chamber of Commerce). In 1980 he started to roll out stores of H&M in Germany and was responsible until 1987 as managing director of the German subsidiary of the Swedish fashion giant.
Afterwards he joined Esprit as partner and CEO for its European business and helped the company shift its focus from wholesale to retail. In 1992 Rosenberger founded the vertically integrated retail concept Ipuri, offering contemporary fashion and lifestyle products for men and women. The Ipuri magazine has been named Germany's best customer magazine several times. Since 2003, Rosenberger advises with his business-consulting firm Retail Brand Services companies such as Deutsche Bank, Burda, Jack Wolfskin, Tchibo, Universal Music, Clas Ohlson, Dressmann, Stadium and Reima.

Rosenberger sees himself more as an advisor to entrepreneurs than as a classical consultant for companies. He only accepts engagements involving not only the development of a strategy but its implementation. He helps industry and wholesalers to become retailers as well as foreign companies to get established in the German market. His third and most sizeable focus is advising private equity interests on international branded consumer goods. In addition, he was appointed in 2011 as adjunct professor at the recognized Copenhagen Business School in Denmark.

Rosenberger spoke with SI about the challenges faced by the retail industry today and how consumers need to be approached.

In the 1980s, with the introduction of H&M, you established the vertically integrated model in the German fashion market and later transformed Esprit from a wholesaler into a retailer. This was followed by your launching of cross channeling with Ipuri in the 1990s. Currently, verticals like Primark and also major online retailers such as Amazon and Zalando are coming under fire–both groups dominate the market. Does the criticism make sense to you?
The criticism is certainly justified in part, but despite of all criticism one thing is very clear: in the end it is the purchasing decisions of the consumers which determine the success or failure of these companies. Despite of all their own weaknesses, many of the competitors which criticize Amazon and Zalando, do not recognize the stronger and stronger influence consumers have today.

What does that mean in concrete terms?
The textile value chain has become more and more concentrated in recent years. As a result, vertically integrated companies such as Primark and H&M are in the lead today because they offer better value, are faster and more profitable than traditional retail stores. The advantage of the major pure players on the Web, such as Zalando and Amazon, is both their highly organized logistics and their extensive knowledge about the buying behavior of their customers.
With their huge data resources, they are able to provide quickly and with high accuracy, what their customers want and need. Both the verticals and the pure players on the Internet have a mindset very strongly focused on the market and their customers. In the end, it is all about the customer!

What do these customers look like today and what do they want?
Today customers primarily want a product range which suits perfectly their needs. They switch back and forth across channels, do online research but purchase offline, or vice versa. Who goes window shopping on Sundays anymore? This is done on the Web now. And brick-and-mortar stores are

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coming under increasing pressure, because all products are available with the Web everywhere at any time. Additionally customer expectations are extremely high. Relatively speaking, this is true for all target groups.

Does a template of customer target groups make sense anymore today?
Definitely, but in completely new clusters. It doesn't make sense anymore to segment customers according to age, education and income, as it was done in the past. Today, customers identify with lifestyle grouping which they feel they belong to. They identify where they belong in terms of values and basic orientations. And what they expect from brands is significantly more differentiated than it used to be. People can expect a modern image and high quality today at all levels, not only in the premium sector. Especially the verticals, such as H&M, have contributed very much to the democratization of design.

It is often said that making money is only possible either in the high-end or the cheap market segment. Is the mid-priced segment dying?
I don't believe so. The mid-segment between Luxury and Price can be viewed in a more differentiated way, when you break it down into upper and lower mid-market. You have an intense competition in the lower mid-market, where verticals have a high market share. I still see however good growth opportunities in the upper midmarket. This is demonstrated by the increasing activity of vertical concepts in this segment such as Massimo Dutti, COS and & Other Stories. Interaction among these market segments has become much more intense due to the Internet.

...and has led to customers now being very knowledgeable...
Yes, that's true. A customer often knows more about a brand or a certain product than a salesperson in a traditional store. It is becoming more and more important for brands to be transparent and to integrate customers into their processes. Even small brands can gain international attention in the Web quickly.

Have the major brands seen their best days?
Not at all. But if they want to be successful today, they need to differentiate their product range more than before and also prove they are good retailers. You need to frame the product from a customer perspective! By offering tailor-made products, niche providers avoid competition and gain market share. Verticals such as Inditex began diversifying their concepts many years ago instead of letting everything run under one brand.

"Creating emotions" is one of the most common slogans for exciting customers at the point of sale. But how can these emotions be created, especially online?
It isn't enough for a multibrand retailer to just gather many strong brands at the point of sale. Far more important is how to mix and merchandise these brands and herewith create an own retail branding. Innovation and differentiation are the two key ingredients for establishing a strong USP. As customers become more and more demanding, many traditional retailers cannot meet the increased requirement for an exciting product presentation in their store. To surprise and to excite customers at the point of sale is the basis for good retailing, regardless of whether it is offline or online.

Who does this especially well then?
Even if the innovation pace has been weakening with Ralph Lauren in recent years, for me he is still a star. He knows how to stage themes and tell stories. H&M is one of the few fashion companies which really do well with omni-channeling. I admit, that this is easier for a vertical than for a wholesaler with limited retail revenues of its own. H&M has also shown with brand concepts such as COS and & Other Stories that they can make more inroads into the upper midmarket segment.

Where is there a particular need to catch up?
The list in that regard is long. There are notable deficits with many brick-and-mortar retailers, especially when it comes to their private labels and with personnel. Retailers are launching more and more private label products on the market, because of the need of low entry price levels or higher profit margins. But very few retailers succeed in making genuine brands out of these labels.

How come?
They do not succeed in developing a comprehensive brand story with its own product design, graphic, packaging and communication. For years I have been in a clinch now with a major German clothing retailer which is trying to take over the brand Ipuri from me through court actions. This retailer is neither capable of developing its own brand story and attractively presenting it at the POS, nor does it understand the value of a genuine brand. However, there is a vast difference between a lovemark and a label. In addition to private labels, a further major challenge is personnel. You need employees who love their job and want to get things going. Brick-and-mortar retailing cannot get the upper hand against the Internet by cutting down on sales staff or scaling back service.

What do you consider good service?
Good service is when you aren't aware when it's happening. This is when a customer leaves a store or a website with a good feeling. All customers have their own definition of good service, but the general expectations of product and processes have increased significantly in recent years due to the Internet. Amazon stands out for its logistics and customer data in its huge database. In brick-and-mortar retail it's to a considerable extent the staff which makes the difference. The best brand story is useless if the staff at the POS do not live it.

But what is actually the use anymore? Haven't we been trained to serve ourselves for years now? Just look at supermarkets, banks, bakeries...
Yes, but you can't just lump them all together. Based on their hybrid behavior while shopping, customers make quite different demands depending on their varying needs. The Internet has redefined service and put offline retailing under immense pressure.

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The only problem is that it is becoming more and more difficult to find good staff who will take relatively low-paid jobs in the service industry...
It has never been easy to find good staff in service industries. In addition, jobs at Internet business are more attractive for young people even though there are no better salaries than in physical retail. What is missing at brick-and-mortar retailing are passionate teachers and good job perspectives. The dramatic low demand for apprenticeships in retail is the best indicator that something is wrong. Thanks to omnichannel retailing and retail branding, there ought to be many new opportunities opening up for young people in retail.

What factors need to be kept in mind when creating an innovative retail concept or developing a strong brand?
The most important success factor is a good product, for nothing works without a unique and innovative range of goods. Thereafter comes the store, in other words the presentation of the brand both offline and online. Good communication and enthusiastic staff are also necessary to establish a strong brand. And last but not least you need effective operations in place, such as logistics, merchandise management and IT. All these success factors must perfectly fit together like the links in a chain. In the end, a retail concept or a strong brand is only as good as the weakest link in that chain.

What about the store?
For offline, it starts with the choice of the right location and signing a good lease contract. After that come the implementation of the brand concept in the store design and the visual merchandising. How do I make my store attractive with interesting crossovers? And if I can't manage that on my own, what conceptual third partners do I add if necessary? It is just the same with digital presentation. Here too, a brand must be similarly projected in all its facets.

Is an online store absolutely necessary for every brick-and-mortar retailer nowadays?
Not for everyone, but if your customer is cross channeling, you need as a physical store to have also an online store. Nearly 40% of offline customers have gathered information online before they become active offline. More and more of them are using mobile devices such as smartphones and tablets to do so. From the customer's point of view, omnichannel retailing is a seamless shopping experience requiring the supplier to have a holistic, cross-channel brand presence. Finally it is no longer a matter of the origin of your brand and the question of whether H&M was originally a brick-and-mortar retailer, Boss a manufacturer, or Amazon a pure player on the Web. The only thing which counts for a customer is the value of a brand and the required availability of its product offer.

What does this mean with regard to a brand's image?
First of all, customers expect today credibility from a brand and to an increasing degree also sustainability. The image of a brand is no longer the story told by the company's PR agency, but the story told by fans and bloggers. A brand company can control the design of its products and stores, the clothing hangers and shopping bags, but the image of a brand is driven by its customers. Once again, it's all about the customer!

Well, retailing is fine as far as that goes–but the value chain starts quite a bit earlier...
It is certainly not unimportant where and at what price the raw materials for a product are purchased and how a product is manufactured. But the moment of truth in the supply chain comes at the point where contact with the consumer occurs, regardless of whether this is online or offline. That is why I feel no doubt that the customer calls the shots more than ever, and that retail is the decisive point in the supply chain.

But why is it that you still get the feeling that you are surrounded by a lot of boring retail concepts? Is there a lack of ideas?
No, there are many creative ideas around. The problem in my opinion is their implementation. Either there is no holistic concept or sometimes there is quite simply no money for the investment necessary for implementation.
It is really boring when you always find the same brand shop-in-stores lined up side by side across a lot of multibrand retail space. Fortunately, the success of pop-up stores is adding some surprising moments at stores. Customers love and appreciate that, also on the Internet where you have far more entrepreneurial daring with new ideas. This is also because the financial resources for a company are easier made available online than offline. Courageous start-ups in physical retail face an uphill battle.

You are thoroughly familiar with the trials of business life. After all, in your own retail project Ipuri you had to contend with insolvency. What was actually the problem at the time and did you feel this was a failure?
Many people believe that we were too much ahead of our time with Ipuri in the 1990s. That is not my personal view. What made the project fail at that time was that it simply did not reach critical mass. You need some revenue for the success of a vertically integrated retail concept, which is sufficient for the minimum purchase quantities as well as to support the development of its own brand and design. To achieve this minimum level of revenue we would have had to have at least twice the number of stores we had at the time.
We simply failed to achieve this level of expansion. In the US failure is almost a requirement in the life of a true entrepreneur. That kind of experience is a stimulus to do it better next time.

Having tried it once and done everything right–isn't there still a factor which cannot be anticipated? What do you need to keep in the back of your head? When all is said and done, the decisive things are passion and fun. You have to be consumed by an idea and never forget the fun involved in implementing a project. In Silicon Valley the fun factor is one of the decisive components in choosing a job. Nobody counts the hours when you have fun with what you do.