



## Retailers Fight the Cost-Slashing Trap

Since the economic crisis hit two years ago, consumers have been forced to become savvy shoppers. And with shoppers always on the lookout for the best possible prices, retailers large and small have responded with a deluge of coupons, sales, and other special deals. But while cost cutting to lure price-conscious consumers into stores has been the dominant strategy to deal with the recession and its aftermath, not everyone is going the discount route.

"There's always going to be somebody who can sell it cheaper than you," warns Mike Feiman, president of online billiard-equipment retailer [PoolDawg.com](http://PoolDawg.com), which instead embraces a strategy of extreme customer service. Feiman explains that PoolDawg.com, which sells pool cues ranging in price from around \$20 to more than \$1,000, employs a combination of customer service, product knowledge, and brand personality to attract, engage, and retain customers, and justify its prices.

"Unless you're Wal-Mart, you're eventually going to run into somebody who has a better price than you," Feiman says. "What I've found is that regardless of how the economy is, if you continually discount, you'll end up training your customers to wait for a coupon before they buy from you again."

Feiman reports that his sales and Web traffic are both up by double digits versus last year. He credits efforts the company has taken to meet its clientele, both in person and virtually. "I would attribute much of this to our increase in mindshare for the PoolDawg brand among pool players, which has led to a jump in new customer growth as well as increased repeat business from our existing customers," he says.

PoolDawg.com has an active social media presence; its more than 1,700 fans on Facebook is an indication of how well the retailer is connecting with its customers. It aggressively markets itself at pool tournaments, where face time with customers is key. It also touts expert and customer product reviews on its website, along with one-on-one phone and email consultations.

Customer service is more than just a "customer is always right" policy. For retailers such as PoolDawg.com, it's also a marketing strategy, and one that's increasingly vital in today's challenged retail environment. In a recent report headlined [Rediscovering the Art of Selling](#), the consulting firm McKinsey & Co. explains that discounting may not be everything after all. "Retailers that fail to have knowledgeable staff on hand to help customers make decisions, or even to create arresting in-store visual marketing materials, are losing sale after potential sale," says the report.

At least some retailers seem to be getting the message. "This is the year that small businesses are going to have to treat the customer like gold, and from my talks with retailers around the country, that's exactly what they're doing," says Laurel Tielis, analyst and author of the book *Ka-Ching! How to Ring Up More Sales*.

The customer-centric services that retailers are focused on providing this holiday season, Tielis found, include expanding store hours; offering free shipping and free gift wrapping; fine-tuning merchandising to carry products that differentiate them from the big-box stores; aligning with and donating to nonprofit causes; sending out holiday cards rather than impersonal mass email; even setting off fireworks.

Retailers, hyperconscious of consumers' lingering recession-induced hangers, are getting serious about making shopping a fun experience. There's one that is offering champagne and chocolate at its trunk shows. Meanwhile, a jewelry retailer looking to lure men shopping for their wives is giving away free beer. Through such clever customer-focused strategies, retailers are "creating relationships," as Tielis puts it, as opposed to simply offering a bargain that will be forgotten by December 26.

Fairen Del Boutique, which operates two women's apparel and accessories stores in the San Diego area, made customer service front and center, even as the economy turned south. Three years back, when it was clear a slowdown was taking hold, owner Irina Rachow opted for an aggressively positive, customer-centered approach versus a simply reactive, cost-slashing strategy. Instead of doing less in the way of perks, the store began to offer its customers even more freebies, including more elaborate (and free) gift wrapping, more events with refreshments such as fresh-baked cookies, and giveaways. "It's a changed game out there, but being genuine, creative, and fun never goes out of style," says Rachow.

In 2008, Fairen Del experienced its first ever year of no growth, says Rachow. Still, the stores managed to finish within a few thousand dollars of the previous year. (As with so many other businesses during the recession, Fairen Del's mantra became "flat is the new up.") But by 2009, the retailer enjoyed a 5 percent uptick in business and is on track this year to finish 12 percent to 15 percent ahead of last year.

Rachow attributes the increases to a combination of factors, among them, ramping up Fairen Del—sponsored events from one per month to two and three per month. The retailer staged two large fashion shows offsite. Meanwhile, it beefed up its connections with its customers through regular email blasts, exclusive offerings, and "a smart, happy staff."

Of course, service is only one way to fight mindless cost cutting. Another thing that never goes out of style is quality, something Jackie Ekholm, founder of Greenwich, Connecticut-based Moo Kids Chocolates, discovered last year after starting her brand of organic children's chocolate bars festooned with a cartoon cow as its mascot.

"When we first launched, many people said, 'You can't, in a recession, go out there with chocolate for kids at \$4 a bar,'" Ekholm recalls of her firm's high-quality, whimsically packaged products. "At some point we looked at compromising on quality to get a better price and decided, you know what, our objective was to make the best bar we could, and we're just going to stick to that."

The premium-priced strategy has paid off. Moo went from just a dream of Ekholm's to selling 10,000 bars per month (projected to double in the next six months, she reports), with a presence in more than 160 retail outlets nationwide, including chains such as Whole Foods, Fairway, and Dean & DeLuca. As Ekholm, a marketing executive for Procter & Gamble and Estee Lauder in her previous professional life, explains, "If the customer had been unwilling to pay for it, we would have had to come up with a plan B. But I didn't want to change my vision because of the recession."

Sure, pricing will always be important, but retailers also need to be ready as consumers begin

loosening the purse strings. The U.S. Department of Commerce reported that retail sales in October rose for the fourth consecutive month, amounting to \$373.1 billion, up 1.2 percent from September and up a promising 7.3 percent from October 2009. And many analysts continue to predict more robust sales this holiday season than last.

Those retailers who continue to make price cutting their only focus while putting customer loyalty and quality on the back burner are likely to find themselves at a competitive disadvantage when customers finally decide they can afford to put a few more dollars toward good service and a little less time toward hunting for deals.

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