

# 2013: Year of Uncertainty

By Stan Pohmer

**W**hen it comes to the economy and the mindset of the consumer in 2013, the operative word is "uncertainty."

There are some indications, some glimmers of hope, that the economy is recovering, albeit ever so slowly.

Right now, the housing market is starting to recover, with home prices rising and the rate



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of foreclosures starting to come down. Inventories of unsold homes are getting lower. But one downside impacting the housing market is home ownership; although mortgage rates are close to all-time lows, banks are stricter in approving loans and are requiring

5 to 20 percent down, resulting in Generations X and Y delaying the American dream of owning a home.

Real consumer consumption expenditures have recovered nicely, above pre-recession levels — this data point is especially important because consumer spending accounts for 70 percent of Gross Domestic Product (GDP). The concern is what they are spending their discretionary income on. Are we getting our fair share?

## Attention Refocused

Unemployment and under-employment have recovered a bit, but economists predict that as long as there are no major changes in the economy, unemployment will only improve to 7.3 percent from the current 7.9 percent at the end of 2013, and it could take another four to five years to get back to 5 percent, which is considered as "full" employment.

So if the economy continues to chug along as it is now, and there are no significant speed bumps in the recovery, consumer confidence will continue to improve, consumer spending will stay strong and our industry stands to have a good 2013, assuming there are no major weather flukes.

But there are some major storm clouds hovering

over the economy. By the time you read this article, we'll know (or not) whether we fell over the fiscal cliff. The negative repercussions — if the Bush tax cuts are allowed to expire, and the automatic government spending goes into effect — will all take major dollars from discretionary spending off the table that would lower GDP, and could force us back into a recession, with an increase in the unemployment rate, slower housing sales and price increases and another hit to consumer confidence.

And almost none of the financial haggling in Washington starts with a discussion on finding a way to retire or pay down some of our national debt, which everyone recognizes is a major priority.

Basic math says that the only way to reduce debt is to consistently increase revenues and/or decrease spending. An increase in revenues at the government level means higher taxes, which equates to fewer dollars in the consumer's pocket to spend. And a reduction in spending by the government means fewer dollars are put back into the economy, which eventually ends up as consumer spending. Whether it's by increased taxes or reduced spending, consumer spending will be negatively affected by some degree.

No matter what your political leanings are, I think we can all agree that there will be no lack of continued uncertainty in 2013. But as serious as these challenges are, they are externalities that we have no direct control over. All we can do is to try to understand these factors and try to figure out how they will affect the consumer's spending, priorities, behaviors and their needs. If we're able to do that then we can anticipate and plan how to position our approaches and appeal to them. Bottom line: Let's focus our attention on the things we can control and can manage.

## Smart Thoughts for 2013

There's no rule book or standards and procedures manual that we can follow to show

us the way, and each of your businesses and customer bases are unique. But I've been doing a lot of thinking about some of the things we can do, and have been reading and talking to a lot of very smart people, and here are six things you might consider as you plan for 2013:

1. In today's marketplace, if you are "average," you're in decline. From a consumer's standpoint, there are a lot of average retailers out there, and no compelling reason to shop one over another. Strive to be "remarkable," setting yourself apart from the multitude of average stores with a crystal clear value proposition that you both communicate and execute consistently.

2. You can choose to position yourself as being a convenience-focused retailer or one who develops loyalty. There's a place in the marketplace for both types of retail, but it's almost impossible to be both simultaneously. For reference, some of the elements of the convenience-focused retailer are low price/low overhead, self or low service, minimal expertise, broad appeal and transaction-mindedness.

On the other hand, the loyalty-based retailer exemplifies these characteristics: exclusive, premium price, limited availability/uniqueness, concierge levels of service, provides a true experience, niche appeal, creates an emotional connection based on intimacy or individualism, and is relational focused.

3. "Convergence" is the 2013 retail buzzword. This means that all elements and parts of your business must be in synch to deliver your brand and brand message. This includes your website, social media, consumer technology, display, product, service(s), advertising, signage, facilities, etc., across all of your business segments. Connect all of the customer experiences so they become seamless and completely transparent to them.

4. Today's customer is time-starved and demands ease of shopping. You are a destination



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shop; the customer made a special trip to your store. What can you do to remove all of the barriers in your physical layout and presentations? Improvements in design, signage, the checkout process and use of technology, among other things, can improve shopping efficiency and experience.

5. If you want to deliver a remarkable shopping

experience, you must have experts that can provide solutions, not order-takers. Successful retailers will invest in training their customer service representatives to be able to deliver remarkable experiences.

6. The empowered customer rewards retailers who provide superior real and perceived comparable value. The attributes that make up the value equation are quality, price, service, convenience and selection. Which



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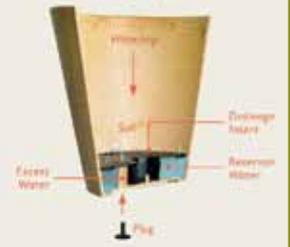
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*"I think we can all agree that there will be no lack of continued uncertainty in 2013 ... Bottom line: Let's focus our attention on the things we can control and can manage."*

of the attributes you emphasize in your brand statement will rely on the answers you must answer about your specific customers: Who are they? What do they want? How would they like to interact with you?

The answers to these questions and how you respond to them will provide the road map you need to operate your business.

You've learned a lot about dealing with uncertainty over the past five years, and uncertainty will again prevail in 2013. Delivering and communicating value, showing the relevance of your products and your store to enhance your customer's quality of life, and authentically telling your story with truth, conviction and passion will be your key to success in another challenging year.

Uncertainty? It's not going away, so get ready and be prepared to deal with it better than the other guy!...

**LGR**

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