

CHAPTER 1

It's About Your Values

NOT TOO LONG AGO, on a hot, summer night, I took my family to a quick-serve restaurant, a franchise known for its ice cream. The place was dirty. Service was slow. Other customers stacked up behind us. Finally, somebody took our order, and we experienced another long delay while sitting at a table that had not been recently wiped. The employees did not seem to care that we and others were waiting. We could hear them talking in back somewhere. A few other customers, frustrated with the wait, left before being served. When we finally got our treats, we ate them hastily, a nice evening gone flat. A few months later, the city tore up the street at that intersection. The construction caused temporary problems for all the surrounding businesses, but this restaurant closed permanently. The franchisee complained in the local newspaper that “the city” had put him out of business. I remember thinking that what put him out of business was having the most unappealing eatery and the worst service in town.

You see this kind of thing in retail all too often—a disconnect between the promise of the retail brand and its execution. Mediocre service and dirty tables do not make for happy customers. Sometimes the disconnects are accidental or

unforeseeable. Perhaps that restaurant had people call in sick and the crew was worn out near the end of a double shift. (Couldn't they at least have given us a frazzled smile?) More often, poor results come from a superficial understanding of brand, or wishful thinking, or plain laziness. You cannot promise quality and follow through with half-hearted execution. I wonder how many times that franchise owner—the one so angry at the city—checked on his store at odd times to see what was happening. I wonder whether he ever did a reality check on his operations after his sales started to slide, which I suspect was long before the street reconstruction began.

What we saw as customers that night was a brand breakdown. Every breakdown in brand occurs because of a lack of corporate values or an insufficient effort to execute on those values. This chapter begins with a brief discussion of brand, follows by relating the brand to core values, and shows how core values are instrumental in a retailer ideating a compelling concept, developing a meaningful mission statement, and creating a compelling customer experience out of that mission.

“Brand” is a complex subject issue because for retailers the “brand” consists of both the brand image of the products being sold and the brand presentation of the store itself. For a retail concept that sells only or primarily its own brand of products—Armani clothing, Starbucks coffee, or Goodyear tires, for example—the situation is simpler, but the overall retail brand still has two elements: the quality level and packaging of what is being sold and how it is being presented and sold within the four-wall retail environment. Most brand discussions focus only on what is being sold—products—rather than the manner in which the products are offered to the public. Even here, the brand discussion often degenerates into superficial or temporary aspects of brand, such as the creativeness of the logo, the freshness of the packaging, or the jazziness of the ad campaigns. This approach trivializes the basis of a product brand and does not begin to grapple with the concept of brand as it relates to retailing.

For these reasons, it is necessary to briefly define brand as it relates to both product and retailing and to discuss the issues that affect both.

For a product and for a product company, “brand” is the product or corporate image, the positioning asserted in various marketing campaigns and supported by product quality, customer service, and overall business behavior. A retail brand builds on these same elements,

benefiting from the quality and the features of the products, the packaging, and related product marketing. The retailer's overall business behavior also shapes the customer's perception about the brand. However, the retail brand is so much more than any of these individual elements. Brand is the design and presentation of your building. It is whether you can deliver the product in a timely and consistent way. It is your company policy on returns and exchanges. (This includes how easy and pleasant it is for customers to engage with store personnel to make the exchange.) It is whether your store has parking and whether, if it supports your positioning, you pay for validated parking. It is the comfort level of your store when customers shop. It is your employees and their attitudes. It is how they dress and whether they smile. It is whether they know when to assist and when to let the customer browse. It is their knowledge about your products. When customers leave the store, it is whether employees say "thank you" in a way that makes customers feel appreciated. Ultimately, a product brand comes down to the customer's belief in the quality or the value of the product. A retail brand comes down to the overall experience of the customer in the store, of which product quality or value is only one part.

For long-term success, all of the attributes of a product brand must be aligned, but a strong positive image for a product can create a "grace" period in the public's mind. Corporate image can carry a product company for a while when its products trail those of competitors, and product quality can carry the company for a while when its corporate image is less than perfect. Because the retail brand rests upon an actual, personal, encompassing experience, however, no one element can "carry" all the others. The potential buyer comes face to face with every aspect of the brand at once. Store design and appearance, product quality and presentation, and customer service will overwhelm any brand impressions the customer might have had before entering into the establishment. *For retailers, the store experience is the brand.* Because the customer is *there*, in the store, the reaction to any slippage in any brand attribute is immediate. The ice cream store failed on its appearance and service, so our confidence in the brand collapsed in a single visit, despite its fine products.

Even more than with an individual product, a brand attribute for a store is not something you can slap on, a sticker that proclaims "high quality." Whatever you assert, the customer has to merely look around

to decide whether you meet your promise. Brand does mean a unique positioning—the best, the brightest, the fastest, the “something” that nobody else has. But that *something* has to come from within, not from “without.” Just as a product brand cannot long retain credibility by shouting, “New and improved!” if the product is old and unchanged, neither can a retailer long survive with advertising proclaiming the latest fashion trends if the clothing line has the same styles season after season. Maybe the hard truth is that your only unique positioning is that old *Mad Magazine* maxim—“Our price, cheap”—but at least the positioning is an honest one. Whatever claim you make for your brand, it must be an intrinsic part of who you are as a product company or retailer.

To become a powerful brand, every retail concept must be based on strong, core personal values and business values. Because of the personal nature of retail and the customer’s direct presence, you cannot fake who you are and what you stand for. As you look to create a new retail brand or to invigorate an existing one, you must look inside to your own ideas and standards. Make no little plans, and have no small values. The word “value,” as used in branding, can mean either *principles* (of the business person or company) or *worth* (to the customer, as in the value proposition). Here, “core value” means a blend of the two because your worth to the customer must spring directly from your principles. Personal honesty and honest treatment of your customer are two sides of the same coin.

Each exciting, new concept begins with ideation—idea generation—and the first step in idea generation is to determine these core values. Without building on your own core values, it is highly unlikely that you will create a concept that differs from a dozen other similar concepts that are already out there. Basing the concept on a core value provides a fundamental and sustainable differentiation. The difference is not in a transient value, such as the flash of a particular marketing program, or even in the particular product you sell, however good it may be. It is in the way you run your business, which, in turn, determines the product you sell and also the *other* attributes of business (brand!) that you embody. Core values lead to corporate values. Corporate values lead to product and store values. Product and store

values lead to store branding. Store branding leads to corporate branding. Corporate branding reinforces corporate values. All of these ideas roll one into the other to create a self-perpetuating wheel of value, action, and perception. A specific example helps illustrate how core values pertain to both product and retail branding.

The adidas sports brand takes its values from its founder, Adi Dassler, an athlete who played soccer well into his 60s and who spent his entire life creating equipment for athletes. Beginning with his first hand-made shoe in 1920, Adi personally created the category of athletic shoe. He made the first spiked track shoe; the first screw-in cleats, which helped Germany claim a World Cup victory on a muddy field; the first bobsled shoe; the first ski-jump boot; and the first ultralight sprint shoe, among many other inventions. Once, while watching the Montreal Olympics from home in Germany, he called Alberto Juantoreno and advised him to reposition his spikes to avoid drifting around the turns—a problem Adi had noticed on television—and the Cuban runner became the first person to win gold medals in both the 400-meter and 800-meter run.

Adi's passion for athletes carries through in adidas's innovation and brand positioning today. With more than 700 patents on sports equipment, adidas's focus remains on athletes and equipment that makes athletes better performers, whether this is a new design for a soccer ball or a special shoe for high jumpers. In the company's retail stores, these values are celebrated in a dual-store format. One concept is the Heritage store, the smaller of the two concepts at about 4,000 square feet. These stores feature several iconic displays, such as historical prototypes of some of Adi's shoes, to ensure that the company's legacy is communicated at the retail level. The other brand-defining concept is the large-store format, at between 12,000 to 25,000 square feet. These stores feature breadth and depth, the company's complete line of equipment and clothing in all sports, which range from track and field to soccer to golf to snow sports. In both formats, store personnel offer technical expertise to complement the company's background and to ensure a positive store experience for the customer and a position of category leadership.

SPORT HERITAGE



SPORT PERFORMANCE



SPORT STYLE



FIGURE 1-1

The heritage of Adi Dassler, who invented an athletic shoe for almost every category of competition, led to the creation of the first legitimate sports brand in the world, adidas, and to one of the most recognizable logos, the adidas trefoil (top). The solid grounding of the brand in the company's mission and corporate values has helped the company continue to innovate for more than 80 years. The company's brand strength has led to natural brand and logo extensions into high-performance gear (center) and lifestyle-fashion gear (bottom).

For the retailer especially, branding really does go back to its original sense of *imprinting*. Brand is every way you touch the customer, and *branding* is the overall personal experience your customer has with you. The slick aspects of packaging, ads, logos, store signs—all the visual, sensual stuff—summon up those experiences, but they cannot replace the experience itself. Neither can a good product make up for a poor in-store experience. If the experiences are good, the logo (as one example) becomes an icon that draws customers. If the experiences are poor, the logo deflects customers toward the competition. Retail is about the here and now, the quality of the experience *today*. The power of the retail experience is why many product brands would love to have a direct experience with the customer, rather than relying on another company to present the brand to the public. The power of the retail experience is why many product brands, from shoes to clothing to computers, open their own shops after testing their concepts within another company's retail shops to determine their differentiating factors and the “sweet spot” for both pricing and presentation. The power of retailing is why a number of companies that sell primarily through other retailers also open their own stores. In addition to emphasizing the company's history and showing customers the full range of the brand's products, for instance, the adidas's retail stores also demonstrate to other resellers of their products unique ways to merchandise them.

In contrast, the power of the retail experience is why even one poor store can be so damaging to the brand. The ice cream shop where we stopped that one summer night was just one outlet of the many 100s of good ones around the country, but the experience has remained. To this day, we generally choose another stop for our dessert. Because of my work, I may have a sharper eye than most, but my kids are the ones who made the decision not to return to this company's stores.

Clearly, the operator of this one store did not carry within himself the values that the franchise attempted to create nationally. Likewise, the operator of the store evidently made no effort to pass these values on to his shift managers or employees. Perhaps the effort was not necessary at one time. A number of years earlier, this franchise was the only ice cream shop in town, and the location was ideal. Customers flocked to it, despite the restaurant's shortcomings. Now several similar shops exist, and new roads have diminished the value of this location.

Given a choice, customers are going elsewhere. In this one spot, the retail brand failed.

When you make a mistake—poor product, poor value, poor behavior—you break a pledge to your customer, a pledge based on your marketing or on the customer’s previous experiences. You are far less likely to tarnish your brand with mistakes or inconsistency if you forge your corporate behavior in the fire of your core values. At Starbucks, our determination to be the “premier purveyor of the finest coffee” led to a fanatical approach to quality in everything we did. In addition to sourcing, roasting, and serving the highest quality coffee, we targeted the best locations and used high-quality materials in everything we did—from wall graphics and flooring materials to the lighting fixtures and table designs. When faced with the usual financial constraints and tradeoffs in building each store, we needed only to reflect back on the words “premium” and “finest” to guide our decisions. Given our core values, the decisions were usually easy. Another company might have “low prices” as a core value to customers. This does not mean the retailer can ignore quality, but it means that the tradeoffs might be different. Although this book describes ways to incorporate high-quality materials into stores inexpensively, a “price” retailer still expresses quality less in terms of store ambience and more in terms of premium goods at a discounted price. Different values make for different choices.

Defining Principles Mean Defining Brand

Every successful company establishes itself in a well-defined set of ideas. For example, the following companies define their ideas as:

- 3M—To solve unsolved problems innovatively.
- Merck—To preserve and improve human life.
- Walt Disney Corporation—To make people happy.

This section examines the importance of such defining principles and how retailers can develop them. An example from both a new retailer and a well-regarded existing retailer shows how defining principles have a profound impact on the company’s mission and its brand. The examples show how having well-defined principles more crisply defines

the retailer's purpose—and hence, the meaning of the brand—while at the same time expanding the retailer's view of the role it can play in the world beyond making money.

Jim Collins, author of *Built to Last: Successful Habits of Visionary Companies*, worked extensively with Starbucks after we had reached a billion dollars in sales in the mid-1990s. Jim is a pretty matter-of-fact guy, but his challenge to us was substantial. “You want to be the biggest coffee roaster in the world, so what?” he said. “Anybody can do that. What's different about you?” He reiterated one of his constant themes: Over time, the most important product of a company is the company itself. Jim defines core values as the organization's “essential and enduring tenets—a small set of timeless guiding principles that require no external justification” and notes that a company “need not have customer service as a core value (Sony doesn't), or respect for the individual (Disney doesn't), or quality (Wal-Mart doesn't), or market responsiveness (HP doesn't), or teamwork (Nordstrom doesn't). ... The key is not what core values an organization has, but that it has core values.” I would add that these values must emanate from within the individuals that operate the company.

Who are you, and what kind of company do you want? The answer begins with an honest and rigorous look inside yourself. Determine what is really important to you, to see what you really care about, not just in business, but in life. This self-evaluation includes a hard look at your personal strengths and weaknesses, which are the expression of your values. If you are unsure about your strengths, tell your friends and business associates that you want to start your own company. Ask them what kind of business you'd be good at and what kind of people you would need around you. You might discover that others perceive strengths you never recognized or weaknesses you might not have been aware of. Do not get discouraged if you hear something that puts you off. This feedback is just one more piece of information to consider along with everything else. I was surprised when I was once told that I needed to listen more carefully to see whether people just wanted to air their feelings or they actually wanted me to help them solve a problem. It seems that if someone mentioned a difficulty to me, I'd immediately say something like, “Okay, here's what you need to do.” This feedback—yes, it was from my wife—has helped me communicate better with everyone.

To look beyond the quantitative aspects of your business, dig deep into the qualitative *human* aspects of intent, drive, and attitude. The goal is to find your core values, to determine the connection between the human being and the business—to get beyond the public presentations and the finely honed “remarks for attribution” and get to the soul of your company. Leaders get forced into managerial and organizational roles in which they feel compelled to speak and act in “reasoned tones.” They get so used to answering formal (and formulaic) questions about their company that they go on autopilot. They begin to think in externalities from the perspective of “the company.” Having worn the corporate mask for so long, having engaged in “corporate speak” for so long, they often forget who they really are and what they and their company really represents. They cease to tap into their original passion or stay in touch with the company’s current passion. You need to see beyond this.

Ask yourself such things as:

- Where did you grow up? How many brothers and sisters do you have? Are you the oldest or youngest? How did your family dynamics shape your view of the world?
- What do you do outside of work?
- What do you view as your biggest success and feeling of accomplishment, and why? What do you view as your biggest failure, and why?
- What do you believe about contributing to your community?
- What do you believe about a commitment to excellence?
- What do you as the founder or CEO, along with your key senior team members, believe in?
- How should and can your company contribute positively to the world?
- What kind of people do you want to surround yourself with? How do you view your colleagues and would you want them with you in a foxhole?
- What is your attitude and your team’s attitude toward winning? Do you want to win at all costs, or do you strive for win-win solutions?

- What are your personal core values? What are your company's core values? How are they aligned, and do you see a discontinuity between them?
- How do you impart these values to your employees? How do you impart them to your customers?
- What part of the customer's experience does your company truly value?

Consider, for instance, a kaiten sushi restaurant named Blue C Sushi. A kaiten restaurant presents sushi on plates on a conveyor belt that runs through the restaurant, continually presenting choices to customers. The guests take their choices from the conveyor belt as the plate passes by. When I first started working with James Allard and Steve Rosen, two friends since high school who are the two primary partners of Blue C Sushi, I asked what led them to this particular venture. I was not sure how their previous jobs—both worked for a young Internet company—had taken them down the path to sushi. The question led to an in-depth discussion of motivation, and soon I was listening to James speak of his admiration for Japanese culture, particularly its sense of honor, dignity, and resilience. He had been intrigued with Japan since childhood, although he did not pursue the interest until college. Rather than take his second year of French, an impulse caused him to sign up for Japanese. That experience led him later to take off from law school to do a year's immersion study in Japan. There, on a “poor student's budget,” he ate regularly at an inexpensive kaiten restaurant around the corner from his apartment. When he returned to the U.S., he finished school, practiced law for three years, joined Microsoft in operations, and then became senior vice president of operations at Go2Net as it grew from less than a 100 people to 500. But even with all those “real jobs,” James never forgot about those kaiten sushi houses that served healthy, inexpensive food. When he and Steve left their high-tech jobs, James thought that it was time to do something different. The more they thought of bringing Japan's healthy dietary habits—high protein, low fat—to their fellow citizens, the more they liked it. They soon “talked each other into it.”

When they brought the idea to me, I gave them a homework assignment to do before they put any energy into the concept itself, into designs, into location, or into anything else. “Figure out your core

values,” I said. They sat down at a coffeehouse (you know the one) and went to work. Here is what they came up with:

- We bring healthy, delicious sushi to sushi novices and experts alike.
- Our sushi is only of the highest quality.
- We practice absolute integrity in everything we do.
- We offer heroic customer service (friendly service and excellent value).
- We demonstrate corporate and environmental social responsibility.

Their core values and commitment to the concept meant that we had a lot to work with.

A deep and persistent link connects the spirit of the founders and the spirit of a company. If you know the people at the top, you have a good sense of a company and how it will work through its good and bad times. If you know, for instance, that Howard Schultz, now the chairman of Starbucks, once lived in one of the poorer neighborhoods in Brooklyn, and that from the age of 12 years old and on, he did a succession of menial jobs to help out his family, you will correctly surmise that any company he runs will treat its employees with respect. And not just hallway politeness: Starbucks annually grants stock options to many of its employees, and it was the first major U.S. company to offer healthcare benefits to most of its part-time workers.

Starbucks, in fact, is a good example of how you can use core values with an established company as a way to instill fresh vigor into the organization and to help a company grow. Prior to Jim Collins working with us, our mission statement had expanded in geography, but not in significance. We wanted to be the leading purveyor of the finest coffees in the country, then the continent, then the world—bold goals, certainly. However, shouldn’t our purpose in life be more than having the biggest pile of beans? On an offsite retreat with senior management, Jim split up the group of ten into two teams. I was on the team assigned to crafting a new mission statement. All five of us were asked to individually craft an updated mission statement for the company. When we came back together and read our compositions, something wonderful emerged: Four of the five of us had all included the word “spirit” in our proposed mission statements.

Spirit! This was a pivotal moment for me. Almost all of us who made up the task force had independently incorporated a higher value

into our view of what the company could and should stand for. “To be the leading purveyor of the finest coffees in the world and to nurture and inspire the human spirit” was the statement we developed from that exercise. Months later, because of that exercise, the formal mission statement that is used to this day emerged: “To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow.” (The phrase “to nurture the human spirit” seemed a shade grandiose for the formal mission statement, but it has appeared in many internal documents and graced the front of the 2003 annual report.) The mission expressed our relationship with the local communities in which our stores were located.

This new value statement was something that all employees could carry out in their daily interactions with customers. The statement also directly affects corporate behavior. For example, although we already strongly supported CARE, a relief organization, we expanded our involvement in local communities as noted in the following:

- Using the substantial advance from the book he was writing about his career, Howard funded the Starbucks Foundation to support local literacy programs wherever Starbucks has coffeehouses. We also formed an alliance with eight companies to provide more than 320,000 new books to children.
- We partnered with Earvin (Magic) Johnson to open coffeehouses in inner cities.
- We established a \$1 million philanthropic partnership with Jumpstart, a national organization that provides tutors to needy children.
- We developed a number of programs to help improve circumstances for many small, independent coffee growers in regions that supply the coffee.

Starbucks has done much, much more that continues today in local communities worldwide. The entire company rallied around a common view of our role—a successful company has a responsibility and opportunity to use its good fortune to do something good for society.

Doing a reality check about a company's mission is a good way to find out at any point in its development whether everyone in the company is marching in step. At a recent client meeting, I asked the 18 senior people in the room to write down what they thought their

company's mission was, or should be. I also asked them to finish the following sentence: "Our company provides customers..." The results produced roughly six different mission statements and six different customer statements. This is one red flag that shows the company lacks a compelling vision. The other red flag is that ten of the 18 mission statements were, in various words, "to be profitable" or "to produce profits." The customer-related questions were similarly short in reach. After the meeting, I told the company president that until everybody was singing off the same song sheet—and the song was something everybody believed in and wanted to sing—the company was not going to be as successful as it could be.

Initially, the mission statement defines your company and gives it direction. Over time, during different phases of growth, revisiting that mission enables a company to reach something bigger than the product or service it sells. As Starbucks grew, it became clear that we could leverage each step in growth to realize more ambitious manifestations of our values. These included new partnerships, new products, and corporate initiatives targeted at addressing global issues relevant to us and meaningful to our customers.

Translating Core Values into Mission into Action

Think of the mission statement as the way your company translates its core values into a call to action. Blue C Sushi's mission statement ended up being this:

To provide our guests with the finest **value**-oriented sushi experience possible, as reflected by the **natural purity** of our sushi, the simple **elegance** of our surroundings, and the **pride** of our sushi chefs. We treat our food with **reverence** and our guests with **honor** and **dignity**.

A lot of people make the mistake of believing that the mission statement should be some kind of slogan or tagline. The opposite is true. You should try *not* to come up with a catchphrase or verbal short-hand at first. Use as many words as you need to fully flesh out everything the company is, stands for, and does. The goal is to be complete, accurate, and aspirational.

To ensure that you consider your mission in the broadest terms, you should list all the customers and other constituencies that your company touches, what benefit they get from your company (or product), and how they receive those benefits. A simple matrix will help for this step. For example, a pharmacy has patients who benefit from their medicines and from information about prescriptions and generic equivalents; doctors and health-care facilities that benefit by having a knowledgeable dispenser of medication; and insurance companies that benefit from modern bill-processing systems the pharmacy should have. Do not forget to include partners, employees, and shareholders (or investors) and how they benefit. The goal is to broaden your awareness of what you really do while also describing what you do in concrete terms. As you fill in the matrix of customers and benefits, you put together a full picture of how you actually play in the world, and you look for the larger concepts that tie all of the elements together.

With your preparation done, write up what you do *completely*. The initial mission statement for the pharmacy, for instance, might read something like this:

The Hankins Hall Pharmacy recognizes that today's customers want more than just prescriptions. They want a healthy lifestyle and complete information about their medicine. We provide the highest-quality pharmacological services, educate our clientele, and offer additional products to enhance health and fitness. We ensure that customers understand their prescriptions and possible side-effects, and we are actively alert to conflicts between any prescriptions. We offer lower-cost alternatives where possible. We treat our employees well and provide the most up-to-date training possible to ensure the highest customer satisfaction. We provide the most modern systems possible to ensure promptness in the ordering and delivery of medicines and in the billing and payment process. We strive to maximize returns for investors in keeping with good healthcare standards.

A mouthful, no question. There is also no question what this pharmacy stands for. From here, it is relatively easy to come up with a pithier mission statement or (my preference) a three-word mantra; that is, three words or short phrases that define the essence of the brand or company.

The formal mission statement might ultimately read something like this:

We provide the highest quality medicines at the lowest possible price, educate our clientele about their prescriptions and all health matters, and offer additional products and services to support healthy life choices. We provide the finest training possible for our staff and reward them fairly. We strive to achieve an equitable return in keeping with good healthcare standards.

The three-word mantra for the company might be this:

QUALITY

We offer the best medicines, personal service, and education.

VARIETY

We offer a range of health and lifestyle products and services.

ACTIVITY

We offer wellness and fitness programs to promote healthy lives.

Putting the Mantra into Action

Properly done, the mantra for a company that is primarily retail can serve as the corporate mantra as well as the design mantra for the actual stores. This is evident in the “Quality, Variety, and Activity” phrase for the pharmacy example. If the company has other major sales channels, such as wholesale or mail order, then for our purposes—developing a new retail business or energizing an existing one—the mantra should focus primarily on the retail business. All aspects of branding should be aligned with the mantra, however. A retail mantra that speaks of “quality” will lead to a certain design concept, and the packaging for mail-order products needs to convey the same sensibility. It is not sufficient to use the same corporate logo on the mail-order products if the retail presentation is high quality, but the mail-order

packaging is inferior. The customer should have the same brand impression regardless of the sales vehicle.

For existing companies, it is often easy to jump quickly from the mission statement and existing values to the three-word mantra. The following examples illustrate how we *ideated* with clients to create a three-word mantra that distills the core values. The mantra can serve as a focus in the development of business strategy. Strategic planning is covered in Chapter 9, “Taking Your Organization Long,” and other chapters are devoted to the many other business actions that derive from the strategy. Because so much of retailing rides on the *customer experience*, this chapter focuses on how the mantra can be translated into the physical expression of the retail idea.

Il Fornaio Café and Bakery

Il Fornaio is an established “white tablecloth” restaurant chain mainly focused on the West Coast. Seeking to extend the brand into the fast, casual dining market, Il Fornaio began work on a new café and bakery concept that would not compromise the brand’s quality image in the fine-dining category. The core values were Il Fornaio’s roots as an Italian bakery: an authentic Tuscan tradition that evokes simple, timeless quality, a combination of sophistication and approachability, and a desire to be the preeminent bakery café brand. These values led to the three-word mantra for design:

AUTHENTIC

The Tuscan ideals of style, simplicity, beauty, and utility.

WELCOMING

A warm, friendly, and comfortable community gathering place.

FRESH

A distinctive, high-quality product that is quickly made to order and delivered with exceptional customer service.

Omaha Steaks

Omaha Steaks has been producing and distributing a variety of premium beef, poultry, seafood, and other gourmet foods for five generations, and it now has more than 1.6 million customers, mostly through mail order. Seeking to grow its retail business, Omaha Steaks began a reevaluation in 2004 of its retail concept, its offerings, and its design. To frame our process we ideated the following three-word mantra:

PREMIUM

Omaha Steaks' quality inspires me to create great meals for my family and friends.

PANTRY

The store experience reminds me of the pantry in my home. [The store has a complete supply of related products, and I know just where to find everything.]

CONVENIENT

Shopping here makes it easier to plan my family's meal program.

For Il Fornaio, the design concept of the new café and bakery that emerged from the mantra was a “Tuscan ideal.” In contrast to a highly ornate and opulent “Roman” concept, for instance, the design values of the Tuscan ideal would be a very high quality concept that is more honestly and simply expressed. For Omaha Steaks, the mantra led to a design concept that would create more reasons for consumers to use the existing product line, develop a new store environment to improve awareness of the company’s complete meal

offerings and the variety of its products, and make it easier for the customer to navigate the store. These values would increase the frequency of shopping and raise the level of the brand.

Both projects were unfolding as this book went to press, and we cover various aspects of the work in later chapters. In particular, the results of the design effort for Il Fornaio are covered in detail in Chapter 4, “Maximizing the Retail Experience Through Design.” The mantra becomes the basis on which you can ideate, create, and execute a new store concept, as the next example involving Gateway Computers shows. Although the business outcome of Gateway’s retail experience was unexpected—and to us, disappointing—the process shows how core values should drive all the thought that leads to a new retail approach.

Gateway Computers

Ted Waitt, Gateway’s founder and chairman, returned to the company as CEO after a three-year absence and invited my company to help with an ambitious turnaround and reinvention of the company. Ted wanted to create a new category—an end-to-end consumer connection from the Internet to flat-screen television—and to transform Gateway from a PC maker to a “branded integrator” for all these products. He sought a company that could help consumers put together their various home systems to get more education and enjoyment from them—PCs, personal digital devices, DVD players, high-definition televisions, stereo components, games, printers, plasma screens, and whatever else comes along. The approach would create a strong alternative to Best Buy or Circuit City, with their huge, impersonal stores and the sensory overload caused by massive displays of televisions and computer monitors and aisles and aisles of other equipment.

As with other clients, we used the ideation process to come up with three key words to shape the retail experience and store design behind Ted’s idea:

INVITING

A welcoming, comfortable, and communal atmosphere.

ENERGIZING

An exciting place that makes one feel creative and productive.

EDUCATIONAL

A playful, interactive experience that promotes learning.

At the center of our design concept was the area called “hearth,” a central area situated at the entry that felt like a family room or den and invited customers into the store. The couches, counter stools, and cocktail table sent an overall subliminal message that this was a place to relax. One side was devoted to a floor-to-ceiling, wood-faced slab that could display various items such as a plasma screen. Merchandise was placed together the way people actually used products, so that customers could see what they needed and what was involved in putting a system together. The setting encouraged a purchase because customers could visualize the items installed in their own home, and training was part of the package. We incorporated Gateway’s new logo, a variant of the computer “on” button, in various graphic displays along with several new icons unique to Gateway and subtly infused the company’s old black and white cowhide pattern in the artwork.

We designed the store’s physical environmental changes to be relatively inexpensive to implement so that we could move very rapidly to execute the concept’s rollout to one hundred eighty stores. A modular fixture and graphics package made the design easy to retrofit into existing stores to keep upgrade costs modest. We went from ideation to complete concept design in less than ninety days, and the first store with the new design opened within five months from when we first met with Ted. *See Figure 1-2.*



FIGURE 1-2

The hearth design for Gateway retail stores felt like a family room or den and invited customers into the store. The comfortable setting encouraged individuals to visualize digital systems installed in their own home, which led to increased sales and won a design award. However, a strategic business conflict led Gateway to withdraw from the retail market shortly after the new stores opened, leaving an opening in the “high-touch” home electronics market. (Photo by John Durant. Reprinted with permission.)

In short order, remodeled stores were doing 5 percent more business than they had done previously, and some new pilot stores were doing 42 percent more business compared to existing stores. In early 2004, however, Ted let me know that Gateway was closing its retail operation! The company had just purchased another PC maker, eMachines. The acquisition gave Gateway a strategic price advantage that greatly enhanced its chances for distribution through other retailers worldwide—but not with the substantial channel conflict created by Gateway’s own retail stores. Ironically, the Gateway store redesign project won a SADI (Superior Achievement in Design and Imaging) Award the same week that the company announced the closing of the retail business unit.

Proud as we were of our work in the renewal of the retail concept, we understood the company’s need to take another direction. In business, sometimes strategic conflicts can trump the role of any one sales channel, no matter how promising.

Standing for Something and Delivering

Core values for Il Fornaio, Omaha Steaks, and Gateway became both the literal and figurative cornerstones of their retail experiences. Their values led to unique store presentations, unique materials, unique layouts, and these led to unique experiences. For every company, distilling the spirit of the company’s retail operations into three key words serves as a useful discipline and provides a focus for business decisions and marketing and operational activities still to be undertaken (many of which are covered later in this book). Equally important, the three-word mantra enables everyone in the company to rally around the company’s mission in a way nothing else can.

Where you see a lame mission statement, you see a lame company. Every company must stand for something, and the mission statement says what that is. No matter how mundane its concept might seem, the company must stand for something special and *specific* about its offerings. A local diner might not aspire to be the next national chain, but it can aspire to be something more than a greasy spoon: “We serve the finest breakfast in town.” What it stands for can translate into something bigger that resonates with customers, something with *touch*.

“As part of our breakfast,” the diner mission statement might say, “we give you 15 very pleasant minutes before the start of your hectic workday.” What it stands for can translate into specific systems put in place to benefit customers: “We use the latest, cutting-edge equipment and systems to guarantee the prompt delivery of hot, satisfying meals.” And what it stands for can translate into specific behaviors of employees toward customers and of the company toward employees: “To ensure that you have a pleasant experience, we invest in ongoing employee training. We treat our employees well so that they treat you even better.”

Your corporate values, which derive from your personal strengths and values, are the intangible but absolutely necessary qualities that ultimately affect the most important ongoing decisions and operations of your company. You have to look deep inside yourself to understand your core values and to develop your core purpose from them. After you do, you will have gone a long way toward creating an enduring brand. Core values and business or company purpose apply whether you launch a new venture or you embark on a new growth strategy for an existing venture. Core values lead to guiding principles, which determine the mission statement and ultimately every aspect of the brand. Strong core values make it unlikely that a retailer will overlook the many components that make up the retail brand and create the customer experience. Core values eventually express themselves in every detail in the implementation and operation of every store, whether the company has one store or thousands or some number in between. As adidas and Starbucks illustrate, a company grounded in strong values has a solid frame of reference from which to evaluate operational and branding decisions and a better likelihood of consistently implementing the brand values in each retail store. As the ice cream store illustrates, even a single failure to connect values to the brand position can have serious detrimental consequences. Thus quality control and consistency become major issues for every chain, and for every new retail concept that seeks to grow. The proof of the core values is the willingness of the retailer to put the considerable effort and time required to provide that quality control in every retail setting. Protecting and projecting the brand is much easier with strong core values. They are the very heart of your enterprise. If you believe, as I do, that growth is an organic and dynamic process, then core values represent the seeds of an organization. From a tiny seed—the right seed—a mighty oak will grow.

CORE VALUES CREATE CORE PURPOSE

- adidas—To be the leading sports brand in the world.
- Cargill—To improve the standard of living around the world.
- Fannie Mae—To strengthen the social fabric by continually democratizing home ownership.
- HP—To make technical contributions for the advancement and welfare of humanity.
- Lost Arrow Corporation—To be a role model for social change.
- Mary Kay—To enrich women's lives.
- McKinsey—To help leading corporations and governments be more successful.
- Sony—To experience the joy of advancing and applying technology for the benefit of the public.
- Wal-Mart—To give ordinary folk the chance to buy the same things as rich people.