Retail Who's Who

CEO of Enhanced Retail Solutions James Lewis speaks to *License! Global* about the current state of retail, both domestic and international.

By **Alyson Grala**

***License! Global:* What are some current retail trends?**

James Lewis: Two things I'm consistently hearing from our clients are retailers' push to operate on more of a direct basis and financial assistance concerns. As for the former, this becomes a riskier proposition for manufacturers, and it means they need to make sure their licenses are compelling. Competition has existed between licensed products and in-house, but the price points on private brands continue to go down, widening the price/value gap. As private brands become more important, retailers are setting up their own design studios and forming an infrastructure to handle product development in-house. And on the sales floor, if the design is strong enough, Mom typically is compelled to pick the lower price point even if the item does not include a licensed character.

According to retail expert James Lewis, if the design is strong enough, shopping mothers generally pick the lower price point even if the item does not include a licensed character.

Of course, it also depends on age-younger kids usually find it more important for a product to incorporate a specific character or brand, perhaps swaying Mom's decision, while older children don't have quite the same attachment, and Mom is more likely to put her foot down and purchase the less expensive item. The takeaway is that licensed brands will become even scarcer, meaning their value also will increase. The industry needs to think about where on the supply chain it can streamline the process to take a buck out of the final product. The second issue is margin assistance. Buyers have increased the stakes, making the negotiation with manufacturers an art within itself. The mid-tier and department store chains account for roughly 80 percent of the problem.

As much as people might complain about mass merchants such as Wal-Mart, virtually all of our clients do significant business there. Its mentality is: "If you're going to sell something, you're going to manage it. We're not going to micromanage." A vendor who effectively manages the business will meet with success. Unfortunately, some retailers will hold manufacturers to one margin and then change the terms mid-year. One of our home textiles clients had problems with a department store changing the terms of their agreement. The apparel sector primarily is hardest hit, typically because of issues with lead time. Buyers ultimately are better partners in home textiles, for example, because they know the category's life cycle is longer. What's different about home textiles is that if a program isn't working, the manufacturer is given a chance to figure out how to move its product. Kohl's and Sam's Club can be willing to work with manufacturers in this area. However, this may not be the case with a retailer such as Target. If a product doesn't perform, it may just pull the plug.

***L!:* What are you seeing in terms of retail on a global scale ?**

Lewis: The world is so connected right now. It used to be that designers and product developers would go to Europe and Asia to look at fashion trends in shoes. It then would take three to five years for that trend to move into the U.S. Now, it only takes three months, particularly in apparel. Zara is probably the fastest at turning product around. It claims within 14 days of seeing a trend, it will have a rack of corresponding merchandise. Part of the reason Zara is so successful is that it only brings in a small selection of merchandise. It's a model that was ahead of its time, but it's ultimately where we are headed, and people who design product need to be aware of this trend. ©