

## Script – Art of Retailing

1. I'm excited to be here to share this important information on how to improve the way we communicate with consumers.

This is information that Luxottica has developed with many years of research collecting feedback from people like you, both in the wholesale and the retail segment and on an international basis. This is an opportunity to help you to see a little bit of a different perspective.

In the Art of Retailing, we are on a journey to understand how the consumer shops and thinks.

If you already have a great sense of retailing, please take away from this presentation 2 or 3 ideas that may help you to better your business. Let's work together to improve the way we communicate and connect with the eyewear consumer.

2. Navigation of this on-demand course is easy, follow along with me as I go through the numbers...

1. The **Menu** shows the slide titles
2. Click the **Notes** tab, that's the script being spoken so you can read and follow along
3. Is **Volume** control
4. Is **Pause** or **Go**
5. Is the **progress** of the slide and narration
6. Allows you to **Repeat** the slide
7. **Next** or **Previous** slide.

3. "The store is the stage, with scenery, lighting and music..." great huh?

Imagine as you walk into your store, that all of a sudden your store is a theatre. Where everything counts, the set-up of the store is the scenery in which you communicate with the eyewear consumer.

I want you to imagine your role, and how important your role is in that specific theatre and whatever you say, whatever you do can set up the tone, for the conversation. You can bring a frame to life, you can make a huge impact in somebody's appearance, and you can be part of the compliments customers receive tomorrow as they go to church or a movie theatre, and, they will think of you.

So you as an actor, bringing this frame to life, are going to be a very important part of the consumer experience in the context of the Art of Retailing.

4. What is happening in our industry and in our world? Let's look at the changes that our industry is going through.

**Read with me from left to right - Consumer shift, generational change, online competition, health care reform, profit pressure and market consolidation**

For Example, think about how we used to buy a car 15 years ago. We were used to walking in to a lot, 20 different choices, 3 models and the choice was made right then and there. There was not much influence on which lot to walk into, because every city pretty much had one or two lots to buy cars.

Let's think about, how we buy cars today. Cars can be bought **them** online, delivered to your house, but I can tell you that before there's an online car sale, these folks knew everything about that car. On the phone you're able to see the retail value, the resale value, the history of the car; it's a complete shift in a way that your experience is affected in the purchase of the car. That is part of the consumer shift, generational changes. Let's think about that, do we realize that today we are dealing with multiple generations of consumers **that** shop in our retail environment.

One question I have to ask you, what do you think is going to happen in the next 5 years?

Would you be surprised if I tell you, in the next 5 years there will be another shift that will change our industry as much as the last 15 years combined together.

Is that scary? I think it may sound scary, but I think it is a great opportunity for us to understand the process, to really be able to reinvent ourselves.

**5. Slide 4 – MILLENNIAL VIDEO**

6. Pretty interesting to see a different consumer behavior!

By the Way – this consumer represents a trillion dollar spending power, which is going to double in the next 5 years.

Do you see this type of consumer shopping in your stores? How do you connect with them today?

Online competition is a reality. Is online really the problem? Is online the factor that is going to put you as a retailer out of business in the next 10 years? Do you really think that?

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No, online is not going to put anyone out of business. What is going to put people out of business is the fact that we are not capable of moving stores within an Omni-channel experience. That is what we need to address and talk about in the presentation.

Health care reform is not only affecting our industry, but all industries.

Profit pressure, very connected to the managed vision care environment, and how there is a profit loss.

Market Consolidation – we are seeing all of that, happening in the market place.

These are really the forces that are changing the retail experience.

7. How will we address all of this? How do we summarize this in a single word?

**It's all about the consumer!**

At the end of the day, we are dealing in an environment where we have a very unique combination between medical and retail. There is an invisible wall right in between, that consumer enters as a consumer, then becomes a patient and then becomes a consumer again, when they are asked to “shop” for a frame.

Unfortunately, a large percentage of these patients never make the transition back to consumer. They stay patients, they live in the world of need, they do not understand the value and the desire of the want, and all of a sudden they ask for a prescription and they walk.

One in three patients walk out the door. How do we avoid that part?

How do we capture the potential?

8. Let's imagine that today is your day off, is it fair for me to ask that you are going out to shop, to buy a pair of shoes, a sweater, a new phone, and in that day, you may shop for a pair of eyewear or a pair of sunglasses. Is it fair for me to say that as a consumer in one day, you will have multiple shopping experiences? Right?

Is it fair to say that all of these experiences that you will feel in different environments are going to create a perception of what you will expect from that particular environment?

Is it fair to say when you feel this perception you will compare and think, I had a great experience when I purchased these shoes, but didn't feel this when I went to look for the sweater. Maybe the person that helped you or, the overall setup of the retail environment influenced that experience.

And this is exactly what is happening in our industry. The same consumer that is walking in an optical department today is walking into a Sephora store.

Look at these two stores – The Microsoft Store (left) and Sephora (right). Whoever thought that today buying a computer, would be an appealing experience. In Microsoft and Apple stores you have to take a number just to buy a \$2000 laptop. If I was to say this 20 years ago... incomprehensible, but it is happening today. Now these kinds of experiences set a standard that unfortunately our industry has not yet met.

9. I'm not going to say that your store looks like this, but I'm going to have you look at this picture and see if you can identify with either of these images. I can tell you, no matter how your store looks, there is always opportunity.

Let me ask you, when you go to work in the morning. Where do you park your car? In the front of the store, or the rear parking lot of the store? Probably the back.

When was the last time that you walked into your retail store from the front door?

What I would like for you to do tomorrow, Walk into your office through the front door, I would like for you to look at your office, with the eyes of your patients. If within 8 seconds, you cannot spot the 6 to 8 relevant brands to your store, you have a visual merchandising opportunity to address.

By the way, most optical offices have between 100 to 250 thousand dollars in that optical dispensary, if that product doesn't jump out at you when you walk in, there's a visual merchandising opportunity (not problem).

10. These are some of the examples of what we are starting to see in our retail landscape. Does anyone recognize these images? This is Warby Parker.

We addressed the online business questions earlier, about how the online business will not put us out of business, now let's discuss why a company like Warby Parker developed a multi-billion dollar business in 5 years in an online space. Why are they feeling the need to expand in brick and mortar and to create an experience like this?

Because at the end the final consumers enjoy this kind of store experience.

11. The store environment today remains the destination point for consumers.

It is about the experience.

12. However, statistics are telling us that consumers are having difficulties finding what they need. As a matter of fact, 20% of them do not shop in that environment, they walk in and they scout.

By the way, how much time do you all think you have to capture the attention of a millennial?

It's 5 seconds. If you do not capture the millennial consumers attention in 5 seconds...

**Do the walk. 1 step forward, look around, then walk out. That's what's happening.**

13. 70% of shoppers agree, "retailers could do more to enhance the in-store experience"

14. Your Dispensary: is an extension of a doctor's practice that unlocks the retail opportunity.

We are building an experience. Write this down... the reputation of the doctor plus the retail experience, completed in a retail environment is the key here.

15. 1 and 3 patients purchase frames elsewhere due to poor merchandising.

16. This is important for doctors, but also an important touch point.  
Look at this data. ECPs conduct 68% of all eye exams in the US, but sold just less than 44% of frames.

That's a \$3.5 Billion Dollar MISSED opportunity. How much of that is yours?

What do you do when that consumer is asking you for a prescription? What is your capture rate? Are they walking out the door???

We now know how to identify opportunity to specifically follow up with the customers. In terms of developing the consumer connection, everything counts.

17. Let's think about what the concept the theatre again, and you being the actor.  
Look at these key words that we think are relevant on how to really build the customer experience. Let's speak these words to get into the right mindset as we go through the Art of Retailing concept.

What one word is most meaningful to you?

18. Look at this image. What can you tell me about this slide?

It is a board of frames. From a distance, all of these frames look alike.

The big question here is... *How do we make the basic frame board become a frame board of relevant product that can connect with the consumer?*

The retail space has to be designed to attract customers' attention and engage them on an emotional level.

19. The art of retailing Begins with five TOUCHPOINTS

20. If we address the 5 touchpoints in a way that is relevant, we will create what we call the **"Ideal Consumer Experience"**.

Now is the moment you can identify, which area you can work on improving and realize where you are and how you can improve.

Consider where you are within this presentation, you may be thinking, I am already doing this, I am already doing that. Fantastic!

Now is the moment you can identify, which area you can work on improving and be humble enough to realize where you are and how you can improve.

If you do that, you will be on your way to building the ideal consumer experience.

21. Let's start with the first point - **Store Design**.

22. The goal here is to build a functional retail space, a space that not only works effectively, but a space that reflects your personality, as well as a space that creates a wow factor.

So when consumers walk in, they will have an overwhelming reaction. Everyone is attracted to that, and everybody wants to shop in a beautiful environment.

Why is this important? Because we are in the medical industry. The patient comes to the doctor's office because they need to see the doctor. They need the eye exam, they need to see, and they need the frame to see as well.

If they stay in the world of the need, the customer will ask you the classical question: "I only want to see what is covered by my insurance" How many times have you heard that?

If the consumer transitions into the world of the want and desire, that is fashion. An expressive, eye-catching environment is one that takes the customer on a multisensory adventure.

23. The layout of the store should reflect your personality.

Obviously, your space can't be something for everybody. You have to pick your own model, and choose who you want to be. I think it's very important to balance that with

the brands that are carried. Obviously, it's not possible to carry 60/70 brands, therefore pick which brands you want to represent your store.

Also very important is how we carry and display these brands to really tell the specific story, that we feel very comfortable in telling.

24. Keeping the store in pristine condition is highly important.

What I love in retail is, when things are moved around.

We always get used to reaching for a frame in the same place. We get comfortable with doing that. Once we constantly move things around, we aren't used to it and that means we can actually explore different opportunities in the store.

So play with your stores. Move things around. It is great when consumers come back into your store and they make the comment: Oh my gosh, it looks different! What have you done?

You haven't done anything, you just moved the product around. You keep it fun!

25. The mission for visual merchandising is... less is more. Look at this store, think of the other high end stores in which you've visited.

All of our images, all of our POP, if you look on the back of the card, they all have an expiration date. We are very sensitive to that. Do not become an image collector. We don't sell posters, we don't sell images, and we sell beautiful eyewear.

**Make it jewelry for your eyes.**

So, less is more and let's make sure that we always keep our store pristine and balanced in terms of visual merchandising.

26. What should be the consumer's journey through your store?

**First, ATTRACT:**

A store window is literally a "window into a new world." It's where the first visual contact takes place and shows what's inside.

Dramatic lighting, strong graphic elements, color and sound are essential in the windows and storefront.

**Next, DISCOVER:**

The center area features a style bar that engages the customer in discovering new collections and styles.

Revolving fixtures, graphics, visuals and product keep the store fresh.

**Then, DECIDE:**

Clean product presentation at the perimeter walls encourage the customers to explore options so they can easily find their style and pick the frames that are right for them.

**Finally, CELEBRATE:**

Upon final selection of the perfect glasses, the customer's purchase is celebrated at the reception desk.

**27. Windows**

Are windows important? Of course! It's all about the first impression.

At the same time, the windows are not supposed to give the store away at the in the window, they should act as a teaser.

Do you like Pizza? What if you're starving?

So I have the best pizza ever and you're starving, but I give you only a little slice.

But if you want the rest of the pizza, you can walk inside the store and it's all yours.

That is the concept of the window. The window is supposed to tease the consumers to walk into the store.

28. So, how do we do that? It is one message. It is STOPPING POWER

Look at your window. You know you are going to design a fantastic window where people are going to stop and say, WOW, look at this, this is so amazing and creative, let me go find out what this story is all about.

1 Window. 1 Story. Less is more.

29. Next, Curated Assortment:

The second point to really create the ideal consumer experience.

30. It is very important to understand that the retail space has a value and it is also a way to communicate a message. It is also important that when we position product on the walls or on the counters that we do it in a curated way where we don't mix different price points. To curate means to have a reason to group items together, brand, colors, price points, designers... understand?

The last thing you want to have is a frame that retails for \$150 next to a frame that retails for \$200. You also don't want to have a men's frame on one side, the women's frames on the other side and the unisex frames on another side, and the sunglasses on the last side.

You want a clear story, where you choose which brand you want to showcase and the brand has to be represented in a vignette where you tell the story of the brand.

31. The men's, the ladies, the unisex all together and the sunglasses all together is a story of a brand, very curated and the right product mix. You want to honor the brand.

We cannot tell the story of the brand with 12 units, otherwise you wind up doing a story of the 12.

12, 12, 12, 12 and all of a sudden you have 60 different collections in the store.

Today, if you want to be an ultra luxury boutique, you should have less than 15 brands and if you really want to communicate an effective message to your consumers, you should have between 15 and 22 brands, no more than that. If you have 1 more than 22, you have an opportunity to curate your inventory and you can sit down with your reps and talk about inventory planning.

Keep in mind **THE 5 R'S**:

Right product, right quantity, right price, right place and right moment

### **32. Know your consumers and the brands they love**

How do we do that? This is a loaded question. How do we know what our consumers in our demographic love and love to shop for?

Let me give you a short cut. The only thing you have to do is shop the retail environments around you. What about visiting the department stores in your area? The Bloomingdales, Macy's, Nordstrom, Saks, whatever you have in your area.

I can guarantee you, that the brands that you see in these stores, are going to be the brands that consumers connect with, because those guys at the department stores, at that level, they do marketing research, to be able to gage product positioning. The fact that you are walking into one of these stores and seeing relevant product, you should bring this into your own stores and create the connection.

### **33. Implement Systems to Track Trends and Measure Success.**

I think it's important to be able to understand your business.

So I want you to think about

1. How many eye exams does the doctor do every year?
2. How many frames do you sell every year?
3. What is your capture rate?
4. What is the inventory turn collection in store?
5. What is the percentage of plano vs. prescription glasses that you sell in store?
6. How many sunglasses do you carry vs. optical?

These are important questions to be able to improve the Art of Retailing and the Consumer Connection.

34. It's also important to have balance between optical and sun.

My suggestion is to have between 25-30% of your overall inventory in Sunglasses. If you have 1000 units on the board, I would suggest btw 250 and 300 units.

My suggestion here is the story telling mixes the sunglasses and the optical and then to have a focus center where you have all of the sunglasses together. So you have the wow factor with all of the sun and then your frame boards tell an entire story.

35. Speaking of storytelling, this is the 3<sup>rd</sup> point of the ideal consumer experience.

36. For example I walk into an optical retailer; I look at a Persol frame.

All of a sudden the optician comes up to me and tells me, "how would you like to try on the frame that James Bond wore?" Who doesn't want to try the frame that James Bond wore?

I try on the frame, I like it and purchase it... and now I'm wearing the James Bond frame. When I leave the office, I tell all my friends. Guess what, I purchased the same frames as James Bond, how cool do I look?

Now I have a story beyond the frame. Now it's not just that brand anymore, it's the frame that James Bond wears.

How many times has someone asked if you have the frame that they just saw in a movie or on a celebrity...

37. Storytelling is not always all about what we say, it's also about how we display the product in terms of storytelling.

Look at this picture: Every single product is highlighted in a space, in a vignette, where there are specific criteria to be able to walk in and look at this image.

Let me ask you a question: When you walk into the store, what are the brands that stand out to you in 3 to 4 seconds?

This type of storytelling creates that effect. Visual Merchandising is powerful

38. The 3 key elements of Visual Merchandising

- Image – Always an image
- Logo – Always a logo
- Lighting

If there are 3 things that you can improve tomorrow morning when you go to your office, look at those 3 things.

For every brand that you carry, 1 image, a logo and good lighting and that will help you to go one step forward in terms of communicating the storytelling of that particular brand.

39. Display Brands.

Brands are critical and what they do is connect with the consumers. It is very important to select the right brands and have the right balance of brands.

You cannot have 60 brands, it should be at most 20-22 and should be merchandised together with the right condition as you see in the picture.

Let's read the left column...

Let's recap: The image, The Logo and the Lighting, you can see that in this display.

Very simple.

40. This is an example of the different brand portfolio mix that we suggest in an optical store based on the demographic between luxury, premium fashion, fast fashion, sports & lifestyle, and professional.

41. You can see in the left brand diagram how that can be matched to a brand portfolio. It gives you and your colleagues a way to best think about the level or hierarchy of the brands.

This is not all about Luxottica, it is about understanding how to position the rest of the collections that you have in your stores.

42. **Next, eye level is buy level.**

That is definitely a value in the real estate of your office. We will talk about that. Eye level should always be the newest and the latest of the product releases.

What this does is create the first point of contact and creates the experience among the rest of the product mix.

43. Again, Less is More.

We spoke of this earlier. Let's keep the concept of Visual Merchandising simple. If we overwhelm the consumers with too much, it actually gives the wrong effect.

One logo plaque is one logo plaque. If you have two, it is one too many. Let's keep the balance of one area dedicated to one line and keeping with the concepts.

The Logo. The Image. The Lighting.

44. The last thing you want to do is create this type of environment. It's hard for the consumer to make a decision.

I am not trying to offend anyone here, I'm not saying that you have this, but in case you do, you may want to make some changes here and try to clean up this area.

45. A knowledgeable Staff is an important component to create the ideal consumer experience.

46. This is really up to you, the sales professional. When you see the frames on the right, what do you see?

Let me tell you, if I am that woman buyer, what I see behind one of those frames is you.

When I look at the frame, this is what I think. Is he or she going to call me back if I need something?

Will they help me with a problem, in case I need something?

Are they educated in the reason behind why the frame was sold to me for \$100 more than the frame next to it?

You and your colleagues have a responsibility to be trained and supportive and if you're the manager or business owner, be able to give them the training, education, and the knowledge to sell your products.

Knowledge is power. Empower you and your staff to be able to sell your product.

47. Last, **DIGITAL** is part of today's consumer's journey.

This is an important component in building the Omni-channel experience.

48. We spoke earlier on the online phenomenon not putting the retailer out of business.

Digital is the new language of the customer experience.

Simple solutions are to add video to your selling experience.

49. What will put the retailer out of business is the inability to move to an Omni channel experience. Moving to the Omni-channel experience is a must.

Let's talk about the intermediate level. There's a lot to say here. Listen carefully.

It is critical today to provide your consumers the in store opportunity to feel and touch the product or click and play.

Why is that? Because the expectation is there, that is what the millennial does. If you do not provide it to them, they will do it on their phone in your stores and they will buy a frame somewhere else.

Today, it is very easy to bring digital technology into the stores and create an Omni channel experience. You can do it with an iPad, you can do it with a laptop, you can actually do it with a touch screen monitor, less than \$300 today.

You can put it in an optical dispensary. You can hang it on the wall; you can connect an ordering system. You can highlight the price of the frame on the top right of the screen. You can use it as a visual catalogue.

You can have your consumer shop along with you for a frame in a different color in a different size.

**When consumers ask you, I would like to have my prescription, I cannot find the frame that I like, what do you say?**

Do you give them the prescription?

**Say, 'by the way, this frame, do you know that it is also available in 6 other colors? Would you like to see the different options?**

**Well, I have it here on the iPad. It is available in orange, blue, green. Which color do you like? Let me check availability. It's available.**

This is our online store; I can have it in store in 3 days, with no shipping charge to you.

The reason why we send these to the stores is that we do a physical inspection on the frame.

We provide lifetime professional adjustments, because you are wearing progressive lenses and the frame needs to be fitted to you correctly for best use. Plus a 2-year warranty and your insurance plan benefits can be used towards the purchase of the frame.

Do you know the number 1 reason why consumers shop on line today? **It is convenience.**

The number one reasons shoppers come into the store?  
The Experience. The Convenience and the Experience.

So think about the way you can combine the two together. Think about what happens when you do that.

50. Complex uses of digital involves virtual try-ons for example where your customer can play at trying different styles easily, then confirm with real products.

The Art of Retailing will help you put that circle together. To be able to do that as a retailer, you have to create an omni-channel experience.

51. Addressing these 5 touchpoints is going to help you elevate your stores, to be able to communicate and connect with the consumers.

That is called The Art of Retailing.

52. What's next?

This message is designed to inspire you to be able to understand the consumer perception and things you can do to improve it.

It can be done with simple cosmetic enhancements or in some cases completely rearranging the store.

Remember, that the key message is about inspiring everyone in the office to be able to move and connect with the customer.

The learning in doing this exercise is, for whatever you do, do it in 24 to 48 hours after you've listened and viewed this presentation. Come back and refer to it often.

47. Thank you

Take the 20-question exam online at [2020mag.com/CE](http://2020mag.com/CE), pass with 80% or better and your pass will be sent directly to ABO to credit your account.

This course is supported by an educational grant fro Luxottica