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## Winning strategies for uncertain times:

How retailers can achieve high performance  
in a downturn

• Consulting • Technology • Outsourcing

## Uncertain times are testing times for the retail industry.

Accenture's most recent global survey of cross-industry consumer sentiment shows that though a clear majority (55 percent) expect their financial situation to improve within the next year, 67 percent also believe it could take up to three years before they are confident enough to spend freely again. Until then, most plan to shop economy stores, avoid premium-priced products, postpone the purchase of big-ticket items, eat out less and wait for a sale rather than buy at the full retail price.

For the industry's high performers, however, uncertain times are also exciting times. In fact, these leading companies almost relish the prospect of recession. That's because they know that downturns offer an opportunity to seize market share from weaker competitors and strengthen their competitive position. What's more, because they actually anticipate downturns, high performers are positioned for improved performance post-recession.

In the last recession, high-performance businesses in retail cut costs to fund growth and advanced their strategic position by building differentiating capabilities. As a result, these leading companies pulled away from the competition dramatically—and performed even better in the up cycle.

### A simultaneous approach

According to Accenture's High Performance Business research, leading retailers really know and understand their customers—especially the most profitable. That insight drives all their marketing, merchandising and operational functions. It also explains how they have managed to boost sales through up cycles and down.

Yet leading companies are just as consistently relentless about cutting costs. In fact, they pursue both strategies in a downturn—customer-focused sales growth and cost reduction—simultaneously and with often dramatic results (see "dramatic results" sidebar).

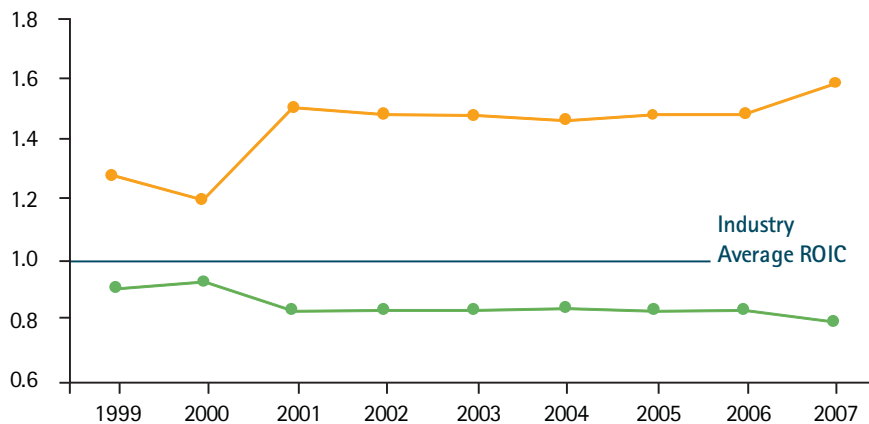
Accenture's unmatched retail experience and research-based knowledge show that every retailer should be able to achieve similar competitive advantage in a downturn by simultaneously taking certain critical actions in regard to both cost reduction and sales growth.

### Cost reduction

- Reduce indirect procurement and redundant headcount
- Improve inventory forecast and replenishment capabilities and take full advantage of vendor payment terms to lower working capital requirements
- Adjust store labor and field operations to reduce operating costs
- Rationalize the lowest performing stores
- Renegotiate lease terms

## Retailer Performance Comparison Following the 2001–2002 Recession

ROIC Relative to Industry Average



- Winners "Winners" are those retailers that outperformed others for the five years following the 2001 - 2002 recession
- Losers "Losers" are those retailers that underperformed.

**"We should shine at a time like this."**

James Sinegal, CEO Costco, BusinessWeek, October 2008

## Sales growth—Discretionary vs. Non-discretionary

The success of specific sales growth strategies very much depends on both the type of product sold and on whether a retailer is pricing for value or fully. The retailer segmentation decision tree illustrates the difference.

1. Discretionary value-price retailers like off-price apparel vendors or quick service restaurants should:

- Turn trade-down customers into loyal customers with store cleanliness, in-stocks and friendly service
- Be opportunistic with store growth
- Poach newly available talent from other retailers

2. Discretionary full-price retailers like up-market apparel vendors and specialty restaurants should:

- Value price or bundle on selective products
- “Right size” space and assortment

- Ensure that marketing and promotion spend is ROI-driven

3. Non-discretionary value-price retailers, including warehouse clubs, mass merchants and chain drug stores, should:

- Price appropriately since all customers now seek additional value
- Ensure disciplined execution in store operations
- Pursue opportunistic but cautious M&A, waiting for struggling competitors to fail before buying discounted assets

4. Non-discretionary full-price retailers like gourmet grocery and specialty home furnishings companies should:

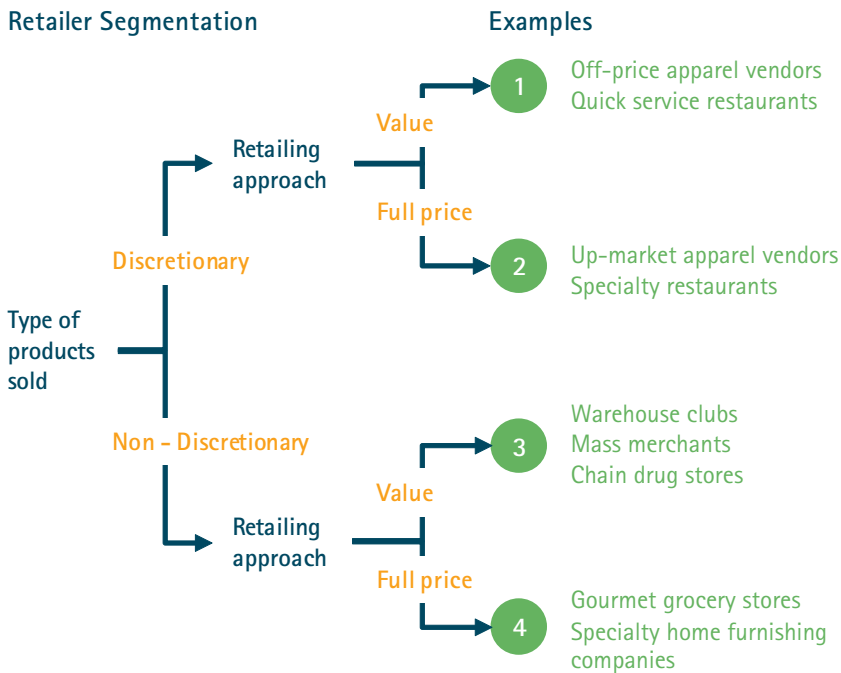
- Stabilize the top line by deepening core customer insight and service
- Step up value advertising to maintain customer relevance
- Divest and invest in assortment at the same time, pruning redundancies and slow movers and offsetting with private label expansion

Accenture has a wide range of offerings that can help both types of retailer drive value for customers and achieve high performance in uncertain times. They range from space and assortment optimization and promotions and markdown management solutions and strategies to customized workshops at our Accenture Customer Innovation Network.

## Dramatic results

- Sophisticated customer and sales analytics can cut inventory by 20 percent or more
- Pricing and profit optimization tools can deliver increases of between 5 and 10 percent in sales and margin
- Improvements in store performance and workforce management can boost front-end productivity by close to 10 percent
- A combination of global sourcing, private label strategies, inventory optimization and improved on-shelf availability can halve total delivered cost
- Strategic customer acquisition can expand market share by up to 5 percent

### Retailer segmentation decision tree for sales growth



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## About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With more than 186,000 people serving clients in over 120 countries, the company generated net revenues of US\$23.39 billion for the fiscal year ended August 31, 2008. Its home page is [www.accenture.com](http://www.accenture.com).

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