

## Retail 3.0: Keeping customers in an economic downturn

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Earlier this week, I wrote about a study that said consumers are downshifting their shopping habits during the current recession, and that their frugality might linger after the economic recovery.

So what are retailers doing to counter that inclination and nab consumers during the downturn? And how will they keep their customers coming back afterward? For the small retailer, now is the time to concentrate on retaining valued customers, retail analysts said.

"You have to protect your top 20 percent of customers because your competitors will come after them and it will be devastating to lose them now and for later," said industry expert Mark Wilcox of Affinity Solutions.

Local merchants have an advantage over the big guy: They intimately know their community, can closely monitor store traffic, form personal relationships with shoppers to gain insight and give discounts without corporate hierarchy, he said.

A few are even starting a business, as shoe seller

Jill Varni did earlier this month in downtown Los Gatos.

"I'm nervous, but I did a lot of research and I know there's definitely a community here that has money and this is a town that really wants its boutiques to succeed," said Varni, a third-generation Los Gatos resident who opened She She Shoes on Santa Cruz Avenue, the town's main shopping street. With her longtime connections and her selection of designer footwear in the \$200 to \$300 range, she's positioned to entice women who were buying \$600 shoes before the economy tanked.

"If you've been buying Jimmy Choo, you may be feeling guilty about paying that much but still aren't ready to give up on wearing a designer shoe," she said. "I know I can't compete with the Nordstroms and Bloomingdale's, but I can provide great service."

Giving customers personal attention is a must for a local shop, said Affinity Solutions' Wilcox. Even if it doesn't translate to an immediate sale, it may lead to customer retention.

Retailers also are getting more creative. Santana Row is taking advantage of its tech-savvy Silicon Valley customers by interacting with them through Facebook and Twitter, said Collette Navarrette, West Coast marketing manager for Federal Realty, which manages the shopping-dining-living complex. Unlike most shopping-center Web sites, Santana Row tries to keep its site updated with live blogs and a revolving list of events and promotions.

The San Jose complex has also launched new "value-added" initiatives to entice customers in these tough times, Navarrette said. For instance, the center offers a promotion that targets women who dine with friends after observing that many women shop as a way of socializing before they eat. A group of two or more can make a combo reservation at a restaurant

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and at a favorite participating store for a personalized shopping experience before dinner that includes a cocktail and discounts.

Other offerings at Santana Row: A Mother's Day package includes a "value added" promotion of free Fleetwood Mac tickets when the group performs at HP Pavilion in May. Atelier Aveda is offering \$15 bang trims, and Straits restaurant is featuring 10 menu items for \$10 or less. Village Bistro invites diners to "buy a bottle, bring a bottle" — purchase a bottle of restaurant wine and there's no corkage fee for bringing a bottle of your own.

Restaurant chains such as Outback Steakhouse, Chili's and Buca di Beppo also are lowering prices and changing their menus and their strategy to appeal to budget-minded diners. In addition to new menu items and revised recipes, Buca is positioning itself as the "celebration restaurant," said Robert Earl, owner of the chain of 88 restaurants, including locations in San Jose, Palo Alto and Campbell.

"Even in a recession, things like rehearsal dinners, sports team get-togethers, graduation, birthdays, anniversaries still take place," said Earl, adding that the average cost at these events is about \$20 a person. "We're all about holding on to the customers we've got now and having them tell others to try us out."

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