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What retailers can learn from brands teetering on the edge of irrelevance

Article

"It's really hard when people don't know what it is that you stand for. Then you ultimately stand for nothing, and that's when your sales suffer," our analyst Zak Stambor said on our "Behind the Numbers: Reimagining Retail" podcast.

Lack of identity was a key theme for Stambor and our analyst Jeremy Goldman when talking about brands teetering on the edge of irrelevance and bankruptcy.

Brands over the edge: Party City and Revlon both filed for bankruptcy in the past year, offering lessons for other retailers on what not to do.

- For Revlon, it was an inability to evolve. "They hadn't adapted in the wake of growing competition from younger-skewing upstarts like Glossier or Kylie Cosmetics," said Stambor. That combined with a pandemic pullback on buying makeup led to the brand's demise. Revlon is currently looking to exit bankruptcy.
- Party City was too niche. "They're a specialty store" without a clear need to exist, said Stambor. Large retailers are the biggest risk for specialty stores like Party City. Target, Walmart, and dollar stores offer party goods as well as food and drink, often for lower prices.

Lesson learned: Adapt to change and make sure consumers have a reason to buy from you, rather than from cheaper retailers.

Brands on the edge: No brand has had more recent press for being on the edge of bankruptcy than Bed Bath & Beyond.

- Like Party City, Bed Bath & Beyond is struggling with filling a niche that consumers can meet at larger retailers.
- Bed Bath & Beyond did try to distinguish itself from other retailers by leveraging private label, Stambor pointed out. But pandemic supply chain issues took a toll, resulting in empty shelves.

Lesson learned: Differentiation is important for niche retailers, but when exclusivity hampers availability, it becomes a weakness.

Brands losing their edge: Gap Inc. and J.Crew are both facing similar identity crises.

- Gap aims to shutter around 350 stores by year-end, and had to severely mark down excess inventory. The company also lost millions after discontinuing its Yeezy collaboration.
- Both Gap and J.Crew have become a "catchall," said Goldman, by offering too wide a range of products rather than the specific styles that made the brands big.
- But solving these problems won't immediately turn things around. When consumers start to think of brands as "over" and "passé," it's hard to reverse that image, said Goldman.

Lesson learned: The "cool factor" matters. Poor forecasting of consumer demand is fixable, but the hit on a brand's image could take longer to turn around.

Brands approaching the edge: Kohl's and Wayfair need to shift gears if they want to stay afloat.

- "Wayfair for a very long time followed an Amazon-type path of spending heavily to build and grab market share and investing in far-off bets," said Stambor. The issue? People don't buy furniture that often. So even loyal consumers don't return often enough for Wayfair to cash in.
- Kohl's big challenge is a bit different. "They need a perspective," said Stambor. "They've leaned on other brands to define why they exist." Kohl's offers Amazon returns and has partnered with Sephora in stores, but getting potential customers into Kohl's doesn't actually mean they'll buy anything, especially if they've come to the store for other reasons.

Lesson learned: Tailor your business model to your customer. When it comes to big-ticket items, discounts are helpful but not sustainable. And make sure customers are loyal to you as a retailer, not to your external partnerships.

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