



Do vertical retailers have a customer engagement edge?

By Tom Ryan

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While vertical stores are seen having a price advantage because they avoid using wholesalers, they are also positioned to better engage customers in an increasingly digital age.

That's a view shared by Les Berglass, chairman and CEO of Berglass & Associates, an executive recruiter, and David Munczinski, founder and CEO of Brickwork, a marketing software platform that helps retailers link online traffic to in-store purchases. Both spoke recently at a press briefing at the offices of Berns Communications Group.



The two were asked to name the most experiential stores. The resulting list featured Victoria's Secret, Apple, Williams Sonoma, Warby Parker, Lululemon and Urban Outfitters. In the food space, Trader Joe's, coveted for its private label mix, and Starbucks were also mentioned. Notably absent were the leading department stores and big box discounters.

Prodded for some non-vertical stores, Costco and Nordstrom earned some praise. But even some currently poorly performing vertical stores such as J. Crew stood out more for their capacity to connect with their key consumers through events and digital outreach.

"You just have an advantage that's extraordinary," said Mr. Berglass of vertical retailers. "They live and sleep in that category. When you're a re-seller of market goods, you're at a tremendous disadvantage."

On the other hand, the demise of former department store staples, Liz Claiborne and Jones New York, underscore the challenges brands without stores face resonating with consumers, said Mr. Berglass.

Mr. Munczinski sees stores currently making a comeback thanks in part to dot.coms that are opening physical outlets to better engage and build loyalty with customers. Rather than real estate, these retailers see stores more as assets to deliver content and support brand storytelling. Said Mr. Munczinski, "Your story is your strategy."

Beyond engagement on social media and other areas, Mr. Munczinski believes vertical stores have an advantage in building a company's culture that connects with consumers.

Mr. Berglass summed it up: "What's special about these retailers is they have something unique to them and they tend to own their category. It's a good place to be."