

BUSINESS

Weatherizing Retail In Competitive Times

- Merchants are becoming savvier and more date orientated as they optimize around the weather.

BY EVAN CLARK

To win each dollar of sales, retailers must square off against each other, web merchants, the fickle tastes of consumers, suppliers, macroeconomic trends – and Mother Nature herself.

Just ask the retailers shoveling out in the Northeast on Monday, when snow – the latest in a series of late-season storms – greeted the first day of spring break for many and the Yankees postponed their season opener.

With all of the market's competitive complexity, retailers cannot afford to be ruled by the weather and so many are becoming more sophisticated in how they monitor drops in the mercury and how they respond.

"In today's world of fashion and dramatic weather conditions, consumers have an increasing focus on function," said Marshal Cohen, chief industry adviser, The NPD Group Inc., which in conjunction with WWD polled shoppers on the topic. "More than two-thirds of shoppers tell us the weather enters the equation and one-third of the annual spend on apparel is weather related. This changes the game as brands and retailers need to learn to adjust."

Much of a retailer's weather impact comes on the margins, with a rainy day boosting boot sales or slippery roads cutting store traffic, but in some cases certain stores – or the industry at large – can be hit hard, such as when unusually warm weather cuts consumer demand for outerwear.

And retailers need to grab every bit of advantage they can.

Cohen said consumers are becoming much more practical, buying apparel when they need it and committing more discretionary dollars to other areas, from a Netflix subscription to the mobile phone bill.

"You're seeing retailers get so focused on every little detail these days," Cohen said. "The small stuff adds up today. All the little details are [determining] success or failure at retail on a given week."

The newer, techier, more personalized players are certainly paying attention to ever detail.

Online styling service Stitch Fix, which has 2.5 million active clients, considers what the weather will be when a customer gets their "fix," ensuring that the looks they're sending for home try-on could be worn right away. (Stitch Fix takes this customized approach a step further and also figures in vacation plans, upcoming job interviews, pregnancy and a host of other issues when choosing what to send clients.)

Retailers cannot manage the weather, but they can manage their reaction to it. That requires understanding.

Enter big data and the experts who can analyze all that information on temperature, wind speed and precipitation and correlate it with sales of bikinis or bomber jackets.

"You can't manage what you haven't



Retailers find they can boost profits by paying more attention to the weather.

measured," said Evan Gold, executive vice president, global partnerships and alliances at Planalytics, a business weather intelligence company.

Gold said retailers have to look beyond the temperature, noting that a 50-degree day in November means something very different in New York than in Miami. Additionally, the profits from a day of lost sales early in the season, when goods are at full price, are not made up later on once discounts kick in.

And it is hard to plan a business on sales from a year ago when storms or heat waves skewed the take at the till.

Gold said the key is to create a "weather neutral baseline" to understand a business.

"You want to remove [the impact of weather] out of your history, the weather only repeats about 20 percent of the time year over year," he said. "If you don't account for the weather that happened last year, you're essentially planning on it to repeat and there's an 80 percent chance that's not going to happen, so you're building error into your forecast if you don't plan around weather."

Gold said forecasters can predict weather two weeks out – although anyone who's ever watched the evening news knows there's a considerable fudge factor. But even if the storm doesn't hit, store footfall and sales will be impacted by the forecast.

The problem is multitiered. There's realizing weather is important, understanding how it's impacted a business in the past and then gauging how to plan for the immediate future given the forecast.

"The challenge for businesses is to figure out how do you harness it," Gold said.

Being weather savvy can be as basic as diverting delivery of spring goods away from stores snowed in by a late storm and sending them to where they can sell at full price.

Optimizing that requires a certain comfort with big sets of data, something retail is growing more comfortable with when it comes to merchandising decisions.

The Consumer's Weather Radar

NPD and WWD asked consumers to weigh in on how important the weather is to their shopping.

When purchasing clothing/apparel, either for yourself or someone else, would you say that the changes in weather influence your decisions?

All the Time = 18%
Most of the Time = 49%
None of the Time = 28%
I Do Not Purchase Clothing/Apparel = 6%

On average, about how much of your annual spending on apparel/clothing is spent on clothes that protect you/someone else from inclement or cold weather?

All of It = 6%
More Than Half of It = 11%
Half of It = 19%
Less Than Half of It = 55%
None = 10%

Source: The NPD Group/
March 2018 Omnibus

Note: The figures do not add up to 100% due to rounding.

"Historically, it's been a lot of art and we're really part of the science," Gold said.

The stakes are significant. Planalytics said apparel chains saw sales take a \$369 million hit from the weather last month at least in part because of a series of nor'easters – that's not a big chunk of a total market that's

expected to tally around \$15 billion for the month, but it's not chump change either and enough to make for much sweeter profits for any business.

Understanding all the ways the weather can impact stores and shoppers often highlights oddball connections that have usually unseen influence on shoppers' behavior.

Changes in pressure can indicate bad weather is coming and can also be instructive for retailers, said Beth Padera, offering manager for retail at IBM's The Weather Co.

"We've seen wind impact yogurt and liquor sales," Padera said. "That's something that's not necessarily intuitive."

But even if there isn't an easy connection to draw, retailers don't need to know why so much as how to react.

The Weather Co. has localized forecasts every 15 minutes for more than two billion locations around the world – a flood of data that Padera said can give retailers "a situational awareness of what's happening in the area to better made decisions around the store."

The firm said that a 1 degree drop in temperature can equate to a 2 percent to 3 percent drop in apparel sales.

And sometimes, the changes are much more drastic.

According to the National Oceanic and Atmospheric Administration, the average number of U.S. weather events that cost at least \$1 billion between 2008 and 2015 doubled compared with the prior 35 years.

Last year alone, there were 16 such events, from Hurricane Harvey (a cost of \$125 billion) to the California firestorm (\$18 billion) and the Southeast freeze in March (\$1 billion).

Concerns about climate change as well as the fallout from such events have helped further weather as a topic national discussion.

"Weather punches above its weight as an issue because of the media," said Bill Lewis, a director AlixPartners' retail practice. "Weather is always in the news and it's easy to project weather on the retail business."

While he cautioned against over-playing the impact of Mother Nature, he said being able to forecast the impact of weather on a micro level could help chains maximize their profitability.

At the same time, the weather is not a get-out-of-jail-free card for the industry.

"Retailers that regularly go to the weather well to blame poor results, they don't keep their jobs in the grand scheme of things," Lewis said.

Chief executive officers know that when dealing with investors, they can point to weather, but they can't linger on the topic.

After Hennes & Mauritz AB's first-quarter profits fell 44 percent, ceo Karl-Johan Persson was asked about the impact of the weather, a factor he acknowledged before quickly pivoting away.

"We see differences between markets connected to weather," Persson said. "We're also seeing the total sum of the assortment that more weather-sensitive products, so to say, more spring-ish garments that is, performing less good than last year."

"There is a weather component, yes, but I also want to be honest in saying that we are still facing mistakes from the second half last year...that has affected the quarter one selling and to some extent also will affect quarter two selling. So it's a combination," he said.

Investors, after all, might be keen to hear to hear how weather, or at least an understanding of how it impacts shoppers and stores, is being used as a competitive advantage. But they won't accept rain and snow – or too much sun – as an excuse.