

The Corporation: Retailing

### **Want Some Pajamas With That Kayak? L.L. Bean must invigorate brick-and-mortar sales, and big-ticket items aren't the answer**

By **Aaron Pressman**

20 November 2006

The new L.L. Bean store in Burlington, Mass., its first in four years, might be most noteworthy for what's not inside. Unlike its 160,000-square-foot flagship store in Freeport, Me., or the larger stores of some of its rivals, L.L. Bean Inc. decided against grand visual gestures like a fishing pond or climbing wall. Even much of the gear that the cataloging giant made famous, like duck boots and down-filled sleeping bags, has been relegated to a lower level. Instead, the emphasis at this suburban Boston outpost is on apparel, with plenty of brightly colored women's sweaters and kids' pajamas occupying the prime real estate up front.

The formula seems to be a hit, judging by the packed parking lot and long checkout lines on a recent chilly Saturday. That's a relief to Bean. Its initial retail foray outside Maine in 2000 was a disaster. Set in the upscale Tysons Corner Center mall in McLean, Va., the store was chock full of kayaks and hunting gear and featured live trout fishing demonstrations. Shoppers yawned, and big-ticket items barely budged. By 2002, Bean's chief executive, Christopher J. McCormick, who declined to speak to BusinessWeek, had halted retail expansion in order to regroup. The recalibrated retail experience, including a makeover of the Tysons Corner store, jibes better with what the wealthy suburbanites it's targeting actually want to buy.

#### NEW ENGLAND INVASION

The stakes are even higher for L.L. Bean to get it right this time around. The company's catalog still kicks in most of its sales. Retail, including outlet stores, accounts for just 20%. But that may well change. For retailers as a whole, catalog sales have been stagnant for more than a decade. Customer response rates have declined while postage and printing costs have leapt, explains Polly Bickel Wong, senior vice-president of strategic services at consulting firm Belardi/Ostroy ALC in New York. "Retailing is the fastest and most scalable way to grow now," says Wong, who oversaw expansion plans while working at Williams-Sonoma Inc..

What's more, L.L. Bean's new effort, which will add 25 more stores through 2010, comes as upstarts threaten to encroach on the New England icon's home turf. Once the unquestioned leader of outdoor retailers, L.L. Bean, with \$1.5 billion of sales last year, ranked third behind Springfield (Mo.)-based Bass Pro Shops Inc. and Sidney (Neb.)-based Cabela's Inc., according to market research firm SportsOneSource. The two pacesetters--which both started as mail-order outfits, too--have been growing quickly, mostly in the Midwest and the South, their cavernous stores festooned with museum-quality stuffed animals, indoor waterfalls and ponds, and gigantic wildlife murals. Bass Pro, with 37 stores and plans to add 6 to 10 a year, will open its first Massachusetts outlet next year. Cabela's wants to open a store in Scarborough, Me., just 25 miles from L.L. Bean's flagship.

Clearly, L.L. Bean's previous brick-and-mortar stumble gave competitors an opportunity. Cabela's sales, for instance, have grown 67% since 2001, to \$1.8 billion. By contrast, L.L. Bean's sales have increased just 23% over the last five years. (The privately held company would not disclose more financial information.) "There're risks for L.L. Bean opening stores, but the biggest risk of all would be not to do it," says retailing guru Howard Davidowitz, chairman of Davidowitz & Associates. "Their core business is under attack."

The store push will start in markets close to headquarters, in New England, New York, and Pennsylvania. Like the Burlington store, which opened on Sept. 15, the new locations will be small relative to competitors and will feature seasonal clothing. Even the Freeport flagship store has moved its hunting, fishing, biking, and boating departments to satellite stores to make more room for clothing. Under McCormick, the first company chief not related to Leon Leonwood Bean, the company won't be pitching as much anymore to the true outdoorsmen--unless they're in the market for sweaters and pajamas.