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The Fourth Place

Creating an in-store community experience

Tools for the Experience Series

Urban sociologist Ray Oldenburg, in his 1989 book *The Great Good Place*, identifies the need of human beings for informal public gathering places to relax and socialize. His thesis is that most of us have three places in our lives that defines us; our home, our work, and a “third place” where we can meet other people and unwind. We are shaped and defined by our third place, whether it’s a pub, a local store, or what has become the world’s most popular third place, Starbucks.

In his 1997 memoir *Pour Your Heart into It*, Starbucks CEO Howard Schultz wrote that Starbucks did not set out to become a third place. Most of their early stores were small takeout locations with little or no seating. But as the chain expanded, management soon realized that Starbucks was becoming a place for people to meet with friends, have small business meetings, or strike up conversations with other regulars. It had become a third place.

Schultz and his executive team leveraged this phenomenon by building bigger stores, adding more seating, and installing fireplaces and overstuffed chairs. They added music with in-store sound systems and, sometimes, live performances. Music even evolved into an entire new business for them. The term “third place” has become so identified with Starbucks that many people believe Howard Schultz termed the phrase.

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Today retailers and other businesses strive to create their own third place. Many, like Barnes & Noble and Border's Books, have been quite successful. Others businesses have mistakenly believed that if they add a coffee bar to the store they will have an instant third place. It doesn't work that way.

Locations that become third places have some elements in common. They are either free or relatively inexpensive. They either serve or allow ready access to drinks and food. They are easy to get to. They are places where a number of people regularly go on a daily basis. They are places that feel welcoming and inviting because you know that when you go there you are likely to see old friends or meet new ones. They are places that impart a sense of community, whether you choose to participate in that community or not.

I question why a retailer would believe he/she can create a third place. Clearly Starbucks has become the dominant third place in today's society. Why not leverage that fact and create a destination that smaller sub-groups will seek out and make a gathering place; a place where people will come when they are looking for a different experience than they find at their third place. Why not create a place where like-minded people with similar interests can come together to share experiences, gain knowledge, meet old and new friends, and spend money on this common interest? Such a place can become a "fourth place."

Many people consider the internet to be a fourth place. It can be, but many people have multiple online fourth places.

Retailers will discover that a physical fourth place will create a stronger sense of community and build up more loyalty from their customers than a virtual place is able to do.

Defining The Fourth Place

What is a fourth place? It is a gathering place inside a store for customers who share a common interest in the products and services the retailer sells. This differs from the third place as a third place is a general gathering of the community as a whole. The fourth place is targeted to a specific community or group. Customers come to the fourth place to socialize, learn, and share experiences. The fourth place can offer structured programs and activities or not. It can be a formal or informal space. It can be an organized community or kept informal, at the discretion of the retailer.

Prime examples of a fourth place are the Apple stores. Apple owners aren't just users, they're Apple fanatics and Apple stores have become their fourth place. They gather both formally and informally inside the store. Informally, they regularly visit the store to engage with the products, the staff, and each other. If you spend just a few minutes in an Apple store you immediately feel the sense of community. People from all walks of life interact, many of them people who would never imagine relating outside the store. You'll see a young man with spike hair and tattoos talking with a housewife and an insurance salesman, all sharing their passion for, and knowledge of, Apple products.

Apple customers also gather formally in the store for workshops presented by Apple on iPods, iTunes and Macs.

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Apple even offers a summer camp for customers between the ages of eight and twelve.

One might ask which comes first, the brand or the fourth place. With their passionate customer base, Apple stores are a natural fourth place. The Apple stores are spacious and designed to allow customers to interact with the product and their fellow customers. The fourth place experience for Apple customers would have been much different – or perhaps nonexistent - if Apple had designed and built a typical crowded and cramped consumer electronics store.

Can retailers or brands without the fanatical following of Apple create and benefit from a fourth place? Yes, absolutely. For companies with a well known brand, a fourth place can build a stronger connection between the brand and the customer, creating a multitude of brand advocates in the marketplace. Retailers without a strong brand can use a fourth place to build the brand itself as well as develop a loyal base of customer and advocates.

Why don't more retailers develop fourth places? Most mistakenly believe that they are in the business of selling products when they are really in the business of developing customers to whom they can sell products and services. True, mass merchant and internet retailers are only in the business of selling products, but they have the high volume and low-cost infrastructure to support that approach. Competing against them is retail suicide for most specialty retailers.

Specialty retailers must develop business strategies that focus on creating, engaging, and maintaining customers. By offering their customers a differentiated shopping experiences, targeted and unique products, and a fourth place, these retailers can compete against their larger commodity competitors.

The Fourth Place Approach

A fourth place is as much an approach to retailing as it is a physical space within the store. There are four guiding principles to developing a fourth place.

- a) Fourth place retailers sell products and services to enhance the lives of their customers. The store facilitates that enhancement.
- b) Creating engaging and memorable experiences between customers and employees creates loyal long-term customer advocates.
- c) The retail store is a venue for developing and maintaining relationships with customers and creating a community of like minded individuals.
- d) Customers reward retailers who value and respect them.

Creating The Fourth Place

To create a fourth place strategy a retailer may choose to do the following:

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1. Create a natural physical gathering place. The size and configuration depends upon a store's physical layout as well as what products and services are offered. A toy store that specializes in board games and/or puzzles might have tables and chairs. A fashion retailer might have comfortable seats placed together in a living room-like setting. Others might choose a counter with seating with a spot behind it for the employee to engage and interact with the customer. Enhance the fourth place with drinks and snacks as appropriate.

Many retailers are reluctant to dedicate the necessary square footage for fourth place seating because it means taking space away from merchandise. First, all stores should offer some type of seating area for the tired or physically challenged customer. Second, the fourth place when done well can generate more revenue per square foot than if the same area was merchandised.

2. Determine how organized the fourth place community will be. Will it be an informal gathering area or will you offer a more structured program? Will it be an extension of a customer loyalty program? If it is structured, will those within the community receive additional benefits or opportunities not available to others?

3. What will be the strategy to maximize the space and community? Will you present classes or workshops? Will there be a tactic to engage those in the community on each visit? An opportunity many retailers miss is to only offer scheduled classes and workshops rather than deliver short and impromptu events that many more customers can attend.

These types of events give you an opportunity to educate and engage the customer without requiring them to make a commitment they may not be ready to make. Offering mini-classes and workshops helps create the fourth place community and turns your store into a unique destination.

4. Determine how involved your staff will be in engaging the fourth place community. A more engaging strategy does require an additional staff investment but this connection between staff and customer is a true point of differentiation between a specialty retailer and a mass merchant.

Using the Apple store as an example, the Apple retail staff actively engages the customers both formally and informally. Besides the workshops, the staff also interacts with the customer at the Genius Bar. The Genius Bar, one of my favorite elements of the Apple store, offers hands-on, real-time solutions to Apple-related technical problems by the most qualified staff member. This strategy, which other retailers can replicate, positions the staff as experts and the store as the location for a customer's questions and needs. It presents the staff as an informal expert resource and a connection between the customer and the brand, creating the fourth place experience in itself.

At this point you may be questioning how a fourth place differs from a store that offers a pleasant shopping experience. Actually, they are close relatives. For a store to be a successful fourth place it must be an enjoyable shopping experience. Why would anyone want to spend time in the store if it isn't a pleasant environment?

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The difference is that retailers who create a fourth place leverage that memorable shopping experience and give their customers even more reasons to return to the store to spend more time and more money.

Howard Schultz writes in *Pour Your Heart into It*, “The best ideas are those that create a new mind-set or sense a need before others do, and it takes an astute investor (or entrepreneur) to recognize an idea that not only is ahead of its time but also has long-term prospects.”

While a fourth place approach is not new or ahead of its time, it is a mindset that has long-term and profitable prospects.

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