



Build a Brand

Build-A-Bear Workshop keeps innovating, bringing 'play beyond plush' into the future

by SANDY SMITH

Iconic do-it-yourself toy retailer Build-A-Bear Workshop is in the midst of a significant makeover, reimagining its stores and strategy.

If this seems familiar, it should. A little less than three years ago, STORES had a similar story. At the time, founder Maxine Clark detailed how the company had to better appeal to tech-savvy youngsters while maintain-

ing the popular build-your-own plush experience. It marked the first capital investments in its stores in 15 years.

But there was no happily-ever-after with that 2012 scenario. Build-A-Bear continued to struggle, losing \$50 million in 2012. Clark retired from the position of CEO, or "chief executive bear" as it was known, in 2013; Sharon Price John was brought in as Clark's successor, riding on her success

leading the turnaround of shoe chain Stride Rite Children's Group. With previous stints at Hasbro and Mattel, John also had experience in the toy sector.

"We have learned a lot from our previous remodel effort," John says. "We've been able to take that data from guest feedback and use it to inform where we've gone with the plans."

One key opportunity from the 2012 makeover was the chance to let go of the past a little more. "At first glance, the branding looked similar, making it difficult to see that we had made some fun and exciting changes," John says.

"We don't want to be a little kids' store. We believe that Build-A-Bear creates memories, marking moments in time."

— Sharon Price John, Build-A-Bear Workshop

"We needed more of a visual impact to cue to the consumer and our real estate partners that we were making a change."

When the sequel to the "store of the future" opened at the Mall of America earlier this summer, the change was apparent. The familiar logo has been refreshed and the popular stuffing station has been given a more prominent spot, all while changing the layout of the store to get more products in the same amount of space.

CHANGING RETAIL FOOTPRINT

When John joined Build-A-Bear, she had a tall order: Turn around the bricks-and-mortar stores, 22 percent of which were not profitable at the end of 2012.

"It's really imperative at that point that you understand what the drivers are behind that," John says. "Are there any similarities beyond what's successful and unsuccessful? We did a lot of cutting of the data to determine



if there were causal factors [and] one of the things that came to light was tourist cohorts.

“When more than 50 percent of guests come from more than 50 miles away, we tend to over-index on key selling metrics,” she says. “That became part of how we thought about the real estate portfolio for the next five or 10 years.”

It’s no happenstance, then, that the Mall of America location was one of the first to get a makeover. Two others — a new site and a recently relocated store — also sport the new look. A total of 11 locations are expected to carry the refreshed store layout by year’s end.

As those stores are remodeled, they’ll feature a dominant blue palette instead of the trademark yellow, though yellow remains an important part of the design. And those stuffers — two of which stand seven feet tall at the Mall of America location — have moved near the store entrance.

“To watch kids walk up with their mouths agape is really fun and very special,” John says.

The new bricks-and-mortar strategy also required an overhaul of the thinking behind where Build-A-Bear Workshops are located.

“We had not been assertive in what needs to be the constant churn of retail when you’re in the premium business,” John says. “We have to understand that malls shift and move, and the demographics of those malls shift and move. It was time to go back to our valued partners and rethink the portfolio.”

And with early feedback from Mall of America and other refreshed stores in hand, it is time to rethink again. “We’re thinking about where we have opportunities and applying this information to the opportunities that we see.”

It is an opportune time for the toy retailer, which will celebrate its 20th anniversary in 2017. “That is a mile-

stone for being in the toy industry,” John says, “because you become multigenerational.”

EXPANDED OPPORTUNITIES

The best Build-A-Bear customers come three or four times per year — and John intends to increase that frequency while broadening the potential customer base. “We don’t want to be a little kids’ store,” she says. “We believe that Build-A-Bear creates memories, marking moments in time. That could be graduating from high school or college, or getting an A on a test.”

With about one in five sales to a customer over the age of 12, there are opportunities to do so. That’s meant expanding the licensing to include pop-culture favorites like Minions and “Star Wars” characters, but it also has meant investing in proprietary products and creating tie-ins with technology.

Build-A-Bear’s Santa’s Merry Mission launched during Holiday 2014

accompanied by a mobile app. It was followed by Promise Pets, a set of three dogs and one cat, in the spring. Pet owners build the pet at a store, then log on to the app to take care of it.

Honey Girls is the retailers' latest addition. The band of rocker friends features an interactive app that allows users to create their own music videos using Honey Girls songs and photos. Back in the real world, the trademark carrier box in which every Build-A-Bear creation leaves the store converts to a stage.

Blending technology with plush is no easy feat: It was a hallmark of the 2012 reinvention, too. And while the early signs are positive for this launch of "play beyond plush," John returns to the data.

"With every business strategy, you do your best to execute with excellence, but not everything works," she

says. "You go back and you read the data and you move forward. Thus far, we've had quite a bit of positive reinforcement on the choices we've made."

She points to 10 consecutive quarters of positive growth and a strong brand. "We believe we have the opportunity to leverage that into new revenue streams. The brand is stretchable."

That means building an international presence and launching the Build-A-Bear Workshop licensing into cookies and costumes. Other licensing agreements are on the horizon as well.

"It's really quite helpful to have had a brand of the type that Maxine built," John says. "It's a brand that touches people emotionally and it evokes tremendous memories and emotions. We have a lot of opportunities ahead of us. We've narrowed it down to three tenets: consumer-cen-

tric, brand building and data-driven. That helps to keep the strategy in our head."

Like any good children's story, Build-A-Bear will undoubtedly encounter some peril. "I can't imagine describing it as 'smooth sailing,'" John says. "At the end of the day, if and when you achieve your first set of goals, you have to make the next set of goals. There's always something to do, a new way to build or evolve the business or the brand."

The story seems poised to end a little differently this time, though: Soon after the grand opening of the Mall of America store, four research analysts changed their stock recommendations to a "buy," while another boosted it to a "strong buy." **STORES**

Sandy Smith grew up working in her family's grocery store, where the only handheld was a pricemarker with labels.