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Secrets From Apple's Genius Bar: Full Loyalty, No Negativity

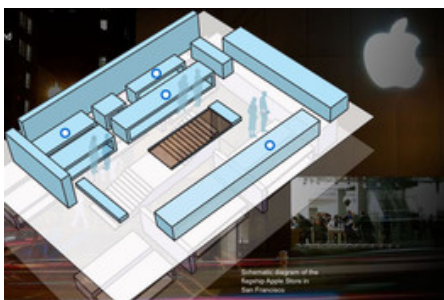
By YUKARI IWATANI KANE And IAN SHERR



Apple goes to great lengths to train its employees at its popular retail stores, tightly managing what feels like a casual consumer experience. Yukari Kane talks with Stacey Delo. Image courtesy of Getty Images.

Steve Jobs turned Apple Inc. into the world's most valuable technology company with high-tech products like the iPad and iPhone. But one anchor of Apple's success is surprisingly low tech: its chain of brick-and-mortar retail stores.

Anatomy of a Store



A behind-the-scenes look at some of the features and strategies applied in Apple's popular retail stores.

A look at confidential training manuals, a recording of a store meeting and interviews with more than a dozen current and former employees reveal some of Apple's store secrets. They include: intensive control of how employees interact with customers, scripted training for on-site tech support and consideration of every store detail down to the pre-loaded photos and music on demo devices.

More people now visit Apple's 326 stores in a single quarter than the 60 million who visited Walt Disney Co.'s four biggest theme parks last year, according to data from Apple and the Themed Entertainment Association. Apple's annual retail sales per square foot have soared to \$4,406—excluding online sales, according to investment bank Needham & Co. Add in online sales, which include iTunes, and the number jumps to \$5,914. That's far higher than the sales per square foot and online sales

of jeweler Tiffany & Co. (\$3,070), luxury retailer Coach Inc. (\$1,776), and electronics retailer Best Buy Co. (\$880), according to estimates.



With their airy interiors and attractive lighting, Apple's stores project a carefree and casual atmosphere. Yet Apple keeps a



When Trevor Moran walks into his local Apple store in Temecula, Calif., the 12-year-old isn't there to shop. He's there to dance - and then post it online. And he's not the only one. WSJ's Yukari Iwatani Kane reports on the Apple Store Dance phenom.

advantages over rivals such as Best Buy are technical: It sells a single brand, has far fewer products and has only a few hundred stores compared to Best Buy's more than 4,000. As the company continues to expand, some analysts expect it to face more pressure to consistently execute good customer service. Some former employees say they have already seen the quality of Apple retail staff decline as the retail network has expanded and has fewer enthusiastic fans to choose from.



Associated Press

Apple employees are trained to demonstrate products and solve customer problems rather than push sales.

Arlington, Va., until 2007.

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understand,' etc."

Apple employees who are six minutes late in their shifts three times in six months may be let go. While there are no sales quotas, employees must sell service packages with devices, according to former employees. Those who don't sell enough are re-trained or moved to another position, depending on the store.

Many retailers strive for good customer service and attractive store designs, analysts say, but few go to Apple's lengths in orchestrating every detail. Department store chain Nordstrom Inc., for example, provides little customer-service training and expects sales staff to learn on the job. With respect to store design, "most retailers take a prototype and roll it out," in contrast to Apple, which constantly evolves its stores' look and feel, said Brian Dyches, president of industry group Retail Design Institute.

tight lid on how they operate. Employees are ordered to not discuss rumors about products, technicians are forbidden from prematurely acknowledging widespread glitches and anyone caught writing about the Cupertino, Calif., company on the Internet is fired, according to current and former employees.

Behind Apple stores is Ron Johnson, 52, who J.C. Penney Co. confirmed Tuesday would become its new CEO in November.

Apple's retail success is fueled to a large extent by demand for the company's products. Retail analysts say many of Apple's

An Apple spokesman declined to comment.

Still, Apple is considered a pioneer in many aspects of customer service and store design. According to several employees and training manuals, sales associates are taught an unusual sales philosophy: not to sell, but rather to help customers solve problems. "Your job is to understand all of your customers' needs—some of which they may not even realize they have," one training manual says. To that end, employees receive no sales commissions and have no sales quotas.

"You were never trying to close a sale. It was about finding solutions for a customer and finding their pain points," said David Ambrose, 26 years old, who worked at an Apple store in

Apple lays its "steps of service" out in the acronym APPLE, according to a 2007 employee training manual reviewed by The Wall Street Journal that is still in use.

"Approach customers with a personalized warm welcome,"

"Probe politely to understand all the customer's needs,"

"Present a solution for the customer to take home today,"

"Listen for and resolve any issues or concerns," and "End with a fond farewell and an invitation to return."

Apple's control of the customer experience extends down to the minutest details. The store's confidential training manual tells in-store technicians exactly what to say to customers it describes as emotional: "Listen and limit your responses to simple reassurances that you are doing so. 'Uh-huh' 'I



AFP/Getty Images

When a new product is launched, such as the second-generation iPad in March, employees cheer customers as they enter and exit the store.

Apple's success with its stores stands out at a time when many retailers have struggled. In 2009, when retail sales declined 2.4%—the first down year in several decades, according to retail consultancy Customer Growth Partners—Apple's retail sales rose roughly 7%. In 2010, Apple's retail sales, excluding online, jumped 70% to \$11.7 billion, or about 15% of its revenues of \$76.3 billion, handily exceeding the overall retail industry's sales growth of 4.5%.

Other retailers have tried to copy everything from Apple's in-house tech support to store layout. Best Buy acquired computer repair service Geek Squad in October 2002, a year after Apple opened its first store, but it has failed to reinvigorate its business. Best Buy's profit margin hovers at about 1% before

taxes and excluding online sales, estimates Customer Growth Partners. In comparison, Needham & Co. puts Apple stores' profit margin at 26.9%.

When Microsoft Corp. opened its first branded store in Arizona in 2009, it took many of its architectural and customer-service cues from Apple, including hardwood floors, wide open spaces, free classes and one-on-one trainers. While Microsoft discloses few details about its retail business, analysts say profits are weak, in part because it is largely reselling computers by other companies whereas Apple sells its own devices.

'Emergency First Aid for Emotional Customers'

See a page from an Apple training manual.



Best Buy didn't respond to requests for comment. Microsoft declined to comment.

Though the stores are now one of Apple's offensive weapons, they were born as a defensive move. When Mr. Jobs returned to Apple in 1996 after being ousted 11 years earlier, the company was struggling. Its Macintosh computers were largely out of view at big box retailers like CompUSA, now owned by Systemax Inc.

Fixing Apple's retail strategy was a priority for Mr. Jobs because Apple's brand had become so weak that mass retailers refused to stock Macintoshes. While Apple was developing new products, Mr. Jobs knew they would have little impact if consumers couldn't find them, say people familiar with the situation at the

time.

Apple soon experimented with having its own showroom inside mass retailers such as CompUSA. But Mr. Jobs realized it was impossible to control the experience at those retailers, these people say. Building Apple's own retail stores was a natural progression.

In 1999, Mr. Jobs recruited Millard Drexler, then president of Gap Inc., to join Apple's board and advise the company on retail strategy. With his input, Apple hired Mr. Johnson, Target's executive behind its signature line of designer household items, to run the retail business in 2000. Mr. Johnson is credited with developing the stores' in-house Genius Bar tech support and engineering their detailed customer service approach. Analysts said Tuesday that while his loss is significant, Apple's retail efforts likely have matured enough to succeed without him.

Many members of Apple's initial retail team came from Gap, which was viewed as a model because of its hip image and success with its branded stores—so many that people joked about working at "Gapple."

It was Mr. Drexler's idea to build a prototype store in a warehouse on Cupertino's Bubb Road, near Apple headquarters, say people familiar with the project. There, Apple masterminded a store layout that staged its products in a way that highlighted how they could be used, rather than the conventional retail method of stacking products by category.

People familiar with the planning say Mr. Johnson came up with the idea for an area dedicated for technical support called the Genius Bar. Apple's hottest products were placed in the front of the store while a dedicated

section for kids was furnished with squishy balls they could sit on while playing with children's software programs loaded onto iMacs.

"People don't just want to buy personal computers anymore, they want to know what they can do with them," said Mr. Jobs in a video tour of the first Apple store.

Apple spent a year testing its concept before it opened its first two stores, in Virginia's high-end Tysons' Corner shopping mall and in Glendale Galleria in Glendale, Calif., in May 2001. A little over two years later, it had opened over 70 stores in locations such as Chicago, Honolulu and Tokyo.

At the time, electronics stores tended to resemble warehouses stuffed with accessories, pamphlets and cords. Apple, by contrast, chose an open plan with a clutter-free look, using natural materials like wood, glass, stone and stainless steel.

Wilhelm Oehl, a principal at San Francisco-based design firm Eight Inc., which has helped Apple with its retail designs, says Mr. Jobs taught them to constantly question themselves on whether their decisions make "the most sense."

Over the past decade, Apple's stores have become even more dramatic, from a location inside the Louvre in Paris to one located under a 40-foot-high glass cylinder in Shanghai.

Working for an Apple store can be a competitive process usually requiring at least two rounds of interviews. Applicants are questioned about their leadership and problem-solving skills, as well as their enthusiasm for Apple products, say several current and former Apple store employees. While most retailers have to seek out staff, retail experts say many Apple stores are flooded with applicants.

Once hired, employees are trained extensively. Recruits are drilled in classes that apply Apple's principles of customer service. Back on the sales floor, new hires must shadow more experienced colleagues and aren't allowed to interact with customers on their own until they're deemed ready. That can be a couple of weeks or even longer.

Harry Friedman, who runs retail consulting firm the Friedman Group, says it isn't unusual for specialty retailers that care about service to invest in similar levels of staff training. But Apple employees are typically fans of the company's products and are willing to learn, intrinsically making its training more effective than any others, he says.

Keith Bruce, 23, who worked at an Apple store in Virginia for three-and-a-half years until December 2009, says he was told the sales floor was a stage where he should focus on things he can do, rather than things he can't. If a customer mispronounced an item name, he was forbidden from correcting them because that would make them feel patronized.

Candidates for "Genius" tech support staff undergo more training in facilities world-wide, then are certified and regularly tested on their skills. Training extends even to language. Former Geniuses say they were told to say "as it turns out" rather than "unfortunately" to sound less negative when they are unable to solve a tech problem. People familiar with the matter say Genius appointments are often triple booked, so they are always swamped.

Apple store staffers are paid about \$9 to \$15 per hour at the sales level, and up to about \$30 per hour as Geniuses, comparable to other retailers. Some Apple store employees, who aspired to move to a corporate position, say they left when they realized that such opportunities were rare. One employee in San Francisco is even trying to unionize and has set up a website and Facebook page demanding higher wages.

Apple now appears to be eyeing business customers at its stores. The company built specially designed "Briefing Rooms" into some stores and, earlier this year, rolled out a service called "Joint Venture" to provide a separate program for business customers. In a recent meeting for retail managers, Mr. Johnson called these services among the "pillars for retail for the next decade," according to a person who attended.

What hasn't changed is Mr. Jobs's interest in the stores. He has provided input on details down to the type of security cables used to keep products leashed to the tables, according to a person familiar with the matter. When the CEO grappled with a liver transplant two years ago, a person who visited him at the time said Mr. Jobs was poring over blueprints for future Apple stores.