Boost sales *and* profits (without more ads)

by Doug Knorr

When it comes to **advertising accountability**, *everyone wants it, needs it and demands it; yet few have* **complete command** *over the process. Many retailers make* **costly mistakes** *with their* **precious advertising dollars** *by not considering who their* **target** *is and the most* **efficient** *way to reach them.*

One of the biggest mistakes many furniture retailers make is spending a lot of money on advertising without truly understanding the importance of marketing.

Successful retailers commit to managing the outcome of their MROI (marketing return on investment). This is far more than just another advertising concept or clever event.

As I am invited into furniture stores around the country, I am predictably asked, "Where should I invest my advertising budget?" "What media are working the best?" "What about social media?" or "What is the hottest sales event today?"

It is amazing to me that I am never asked, "How can I hold my advertising accountable?" For most companies, the advertising investment is one of the largest line items in the budget, and we all know accountability is the most important aspect of running any successful business. The disconnection occurs when retailers do not understand the interdependent relationship among advertising, merchandising and operations. When they are each held accountable, they will generate increased sales without additional advertising costs!

So, how do you increase your marketing return on investment? By paying attention to four strategic parts of MROI that, when managed properly, will allow you to increase sales without spending more on advertising. The four strategies that need to be managed are:

Differentiate Yourself

To stand out and reach out, you need to be both unique and relevant to the customer's interests.

You must find a window of opportunity (a clearly defined need that is not being satisfied in the marketplace) to provide a product mix and a way of doing business that gives you a distinct advantage and provides a stronger return for every advertising dollar you invest.

Define Market Opportunity

Your market opportunity may be defined using an approach that is demographic (customer household income and other objective stats) psychographic (customer aspirations/mindset/lifestyle) or geographic (customer location, especially in relationship to your store). Research can define areas where you can increase market share.

For example, a geographic/driving time analysis might be helpful. Typically, if you want to sell more, you need to drive more traffic into your store. If you are already presenting relevant advertising messages, you may simply need to reach more households. By thinking regionally instead of locally, you could focus on driving more targeted households into your store.

We have a couple of clients for whom we just completed one year of a new marketing plan. Previously, both clients were experiencing decreasing sales over a period of years. After developing a comprehensive Marketing Communications (Marcom) Plan for them, we were able to provide each of them a 20 percent increase in sales in the first twelve months by defining and reaching additional households that fit their target model with the existing advertising budget.

By extending their advertising into new territory, enhancing their brand promise and suggesting some merchandising adjustments to support a stronger brand promise, each client enjoyed a very profitable year.

Think Vertical, Not Horizontal

Recently, I met with a prospective client who asked me what I thought about his idea to add an additional 20,000 square feet of selling space to increase sales. He was taken aback when I said, "That could be 20,000 square feet of potential merchandising mistakes!"

When you think horizontal you often struggle to make a profit, but when you think vertical, much more profit drops to the bottom line.

You must "think vertical" on every square foot of space in every department. I see stores that generate significant upholstery or motion furniture sales, but have very poor sales performance in case goods. Weak areas are opportunities to grow more profit without additional space or inventory costs.

For example, we've seen some clients with poor sales in bedroom or dining room categories because the goods were merchandised at price points too high for their market profile. They need to adjust price points down with some lower priced loss leaders and step-up merchandise to better fit their market.

When it comes to advertising accountability, everyone wants it, needs it and demands it; yet few have complete command over the process. We find many retailers make costly mistakes with their precious advertising dollars by not considering who their target is and the most efficient way to reach them.

For example, a retailer with a strong niche-position in a large metro market needs to focus on a "vertically integrated, targeted audience" instead of a "horizontally driven, mass audience." This marketing strategy will allow the retailer to increase advertising frequency to their best customer profiles and provide a more relevant message.

Focus on Your Business, Not "Busyness!"

Most if not all retailers believe they are terribly busy, but often it's not on things that will really make a difference to the surviving and thriving of their company.

You absolutely must focus on the areas that will grow your business, such as identifying which products are selling and which ones need to be replaced.

Building your business will only happen if you are willing to eliminate every task that keeps you merely busy, and redirect that time to observing, checking, benchmarking and assessing – in other words, to keeping every part of your company accountable. As the saying goes, "don't let the urgent crowd out the essential!"

What's one of the most important things you can do right now, today? Make a decision to start managing your MROI (marketing return on investment). Follow the four strategies I've outlined here, and you will increase sales and profitability without spending more on advertising.

Wishing you increased sales and profits in 2012!

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