

It's All About Sales & Marketing



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Recently, I spent two days at the WHFA Conference in Maui discussing how the game of retail has changed. We reviewed what the new game looked like and the strategies that are required to successfully play by its rules.

Today, most every retailer is facing the reality of fewer shoppers, smaller purchases and increased competition from the big-box chains. In addition, we are dealing with increased media fragmentation, making it harder to reach new customers with a high degree of efficiency.

Therefore, most retailers focus their marketing efforts on strong sales events and financing promotions to drive the consumer into their stores, which are being met with diminishing results.

So, let me ask you this question — If the answer to retail success is “sales” and “No, No, No” financing offers, why aren’t more retailers enjoying greater profitability and success?

Let’s examine the rules to the new game, and what you need to turn your business around and enjoy retailing success.

The first thing we must do is understand why the game has changed. The game has changed because the consumer has changed.

Until you accept the fact that the consumer has changed, you will never enjoy success, because you will still be playing the retail game by the old rules.

You remember the old advertising model rules? The retailer told the consumer when to shop and what the conditions of the sale would be and assumed the consumer would like it!

This advertising model made sales and pull-through offers king! But today, even though “sales” and “No, No, No” are meaningful in every strategic marketing plan, they are not the entire solution.

When you focus exclusively on sales and “No, No, No” events you fall into a sea of sameness and sound like every other retailer. And for today’s media-wary consumer, this kind of advertising becomes “blah...blah...blah.”

There are four basic rules to the new game of retailing. They are:

1. The Message
2. The Medium
3. The Management
4. The Marriage

The Message

Your message must convey your unique reason for being — your brand’s promise that differentiates your company from the competition.

This differentiation must present a defensible advantage the consumer will receive if they shop your store instead of the competition. Only then will the customer clearly understand why they shop your store over another.

For example, earlier this year, while developing a strategic marketing plan for a client in the southwest, we realized that to establish a strong brand position in his markets, he would need to change the name of his stores.

With a degree of hesitancy, he allowed us to move forward and develop a new name, as part of his new marketing strategy.

Here was the situation:

- His stores sold the identical merchandise of a well-known brand that had company stores right next to his stores.
- His name described him as a sofa store, yet he also carried bedrooms, occasional, entertainment, leather, etc.
- Everything offered in his stores was available for sale off the floor, providing immediate gratification; while the company stores right next to his stores took two to three weeks to have products delivered.

Our solution?

- We focused on his unique strength in the market which was that the consumer did not have to wait and that they could enjoy immediate gratification.
- We changed his name to “Furniture Now” which correctly communicated he was more than just sofas.

- We added the promise, “When your comfort can’t wait!”
- His website, TV spots and print, as well as in-store signage, all creatively communicate his unique brand promise.

Now, instead of focusing our advertising on “sales” and “No, No, No,” we focus on his unique market advantage.

Our merchandise is priced competitively and we continue to drive home the advantage that the consumer can have it today and the lowest price is guaranteed.

The Medium

Department store merchant John Wanamaker once said, “Half the money I spend on advertising is wasted; the trouble is, I don’t know which half!”

Do you ever feel that way? To win in retail today there is no room for media inefficiency!

Today, technology, software and research tools have enabled marketers to hold the media accountable, by being able to analyze targeted rating points, cost per thousand metrics and watching trends of rating books.

Suffice to say, the Internet has taken center stage with consumer communications today, and it must become a major part of your marketing plan.

Your website deserves an investment not only in rich content about your store and its brand, but also an investment in SEO (Search Engine Optimization) and PPC (Pay-Per-Click) to augment traditional media in driving people to your website.

With traditional broadcast mediums (TV & radio) it is important to know how many houses are using TV during a program (HUTs) and how many people are watching a certain program (PUTs).

For radio, look closely at rankings by age and day part.

With all broadcast mediums, pay attention to audience fragmentation and be certain the audience each promises is being delivered.

With newspapers, it is vital to compare their in-home distribution against the market you are trying to reach. Be sure to request in-home subscriptions by zip code to define what percent of the circulation meets your needs and negotiate accordingly.

While there isn’t space in this short article to go any deeper on media, if media analysis, planning and monitoring are done correctly, you may save 15 percent to 35 percent in media costs if you know how to hold the media accountable.

Management

Management must focus on accountability at every level and department of the company! Today, successful retailers focus on increasing margins, reducing waste, increasing close rates and average tickets, as well as, managing efficiencies in every department and with every line item on the ledger.

If the answer to retail success is “sales” and “No, No, No” financing offers, why aren’t more retailers enjoying greater profitability and success?

What about turn rates? Do you have an expected turn rate when you bring a new product on the floor? Are you replacing and discontinuing items that do not reach your minimum expectation?

The cost of a computer system or an individual to manage this major part of your company pales in comparison to what you are losing because you are not holding your merchandising accountable.

I have a simple philosophy when it comes to merchandising. Every item on the floor is a soldier and if it is not helping you win the war on increased turns and gross sales — shoot it!

What about salespeople? There have probably been more books written and videos produced about managing the sales staff than on any other aspect of furniture retailing.

So, when industry research has indicated that 80 percent of people coming into a furniture store do so with a desire to buy; why are we happy with an average of 18 percent to 33 percent close ratios?

There is nothing more to say about this except you need to raise the bar at your store. Hold your sales staff accountable.

It is a fact that people don't buy because they haven't been told enough yet to come to a buying decision. Does your sales staff know all the features and benefits of your products? Do they know how your products compare to those of your direct competitors and how to sell around the competition?

Do you quiz and test the sales staff one-on-one? I think you get the point. We can all do better at increasing close ratios and average tickets by holding the sales staff accountable.

We don't have time in this article to discuss the importance of managing customer returns, delivery, insurance costs and so much more. However, each of these must be held accountable.

The Marriage

Finally, I want to discuss one of the hardest things to do in retail today, which is creating and maintaining loyal customers.

In fact, it is so difficult, I believe it is the number one reason that retailers fall back to "sales" and "No, No, No" finance options — because they are easier.

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How important is customer loyalty and customer retention to you? Consider this research from Bain and Company, "In business after business, 60 to 80 percent of customers who defect to a competitor said they were satisfied or very satisfied on the survey just prior to their defection!"

Still not convinced on the importance of customer loyalty? Consider that a 2 percent increase in customer retention is the equivalent of a 10 percent reduction in operating costs while a 5 percent improvement in customer retention can lead to profit increases up to 80 percent. Findings are from John Bishop and Arthur D. Little Co. research.

This evidence makes it clear that we need to focus on building greater customer loyalty. We need to focus on building what I call, "The Marriage" — building brand loyalty or commitment!

You've probably heard that a good marriage takes work. So does your marriage with your customer. From clearly explaining why your store is different to offering rewards to your loyal customer (e.g. private sales, sneak-preview invitations, interior decorating seminars, etc.), it takes action on your part to cultivate a long-lasting relationship.

And that brings us back to our original question: Are "sales" and "No, No, No" the solution for retailing success?


Consider that the word "sale" does not earn loyalty. Rather, it is a flirtatious enticement that only lasts for a moment!

By itself, "sale" promises only a deal to those who are in the market to buy coincidentally at the same time. It wastes much of your advertising investment, because it does nothing long-term to build your brand or promise to the consumer who is not in the market to buy at that time.

I want to make it clear that sales and clearance events have their place and are vital to retail. However, they are very expensive if you don't tie-in your brand's promise and they are definitely not the solution to building loyal customers for life.

As we presented with our client in the southwest, once you build a defensible position that communicates your unique promise to the consumer, every dollar you spend in advertising will not just last for a day. Instead, every advertisement will continue to reinforce old and new customers alike as to why you are their store of preference.

The best part? Your customers will turn a deaf ear to the "sales" and "No, No, No" finance offers from your competition.

So, to start enjoying retail success, focus on your message, the communications mediums you use, the management of your business and be devoted to the marriage with your customer. 

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Douglas Knorr, known as a "retail marketing activist" is president of Knorr Marketing (www.knorrmarketing.com), a full-service marketing and advertising agency specializing in the home furnishings industry. The agency provides strategic planning, creative production, public relations, sales promotions, website development and media buying services.

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Come hear Doug Knorr speak at the RRC seminar, "Successful Advertising in the Digital Age" on Thursday, September 17 at 10:00 a.m.
WMC B-1630

Retailer Perspective

Avoiding the Term Sale

Jeff Winters, owner of Discovery Furniture in Topeka, KS has always avoided using the word "sale" in all of the store's advertising and marketing since opening in 2000. While the store occasionally offers special incentives attached to an in-store event, they have decided to avoid using the term "sale". "Our definition of sale is playing with the price — you put the price down and then the price goes back up," said Winters. "Part of our reasoning behind that is the term is like a drug. A little bit works and that is great, but pretty soon you need a little more to see the same results. Eventually you are hooked and you can't get off the 'sale'. So we try to avoid that as much as we can and look for other reasons to get people to visit our stores."

Instead of using the term sale in their promotions, Discovery Furniture focuses on holding in-store events and advertising their wide assortment of accessories. Quarterly, the store will hold a weekly design class for four to five weeks which can draw in crowds of over 100 women. The design classes are on topics such as painting, faux painting, rugs, lighting, mantels, etc. "Each class is designed to be fun and interactive for the customers in attendance. We have had groups become so large that we have to split them up and go through different parts of the store. When customers are at the events we also try to do something special for them too, such as a special buy on a product being used in the class," Winters added.

Discovery Furniture also focuses on advertising that they are a highly accessorized store. "We don't build in extra margin on our accessories so they are very competitively priced," Winters said. "Our philosophy is that a woman will buy a sofa every six years if you are lucky, but she is always looking for new accessories for a room or a gift. That creates more traffic and hopefully they will see a sofa that they can't live without. So in our advertising we focus on the fact that we have a large assortment of accessories in the store."

Taking the focus off of the term "sale" has been very successful for Discovery Furniture. By focusing on other aspects of their business, they have been able to stand out from the rest of the crowd and become known as the place for great accessories and design classes in Topeka.

Melissa Dressler, Western Retailer managing editor.