Are you conducting "busy-ness" or actually doing "business?"

by Doug Knorr

Turn It Around

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It is halfway through 2009. Are you still on the treadmill of busy-ness?

You may ask, "What is this treadmill of busy-ness?" It's getting caught up in the daily process of working at your business, without defining the strategic changes required to make it profitable and integrating those changes into a successful business model.

Today, it is imperative to get off the treadmill of busy-ness and develop the strategic steps that will turn business around.

At the recent Western Home Furnishings Association conference in Maui, I spoke about how the business of retailing has changed and what it takes today for a retailer to win. By "win" I mean, "What it will take for you to make your business profitable even in a difficult economy."

Waiting for business to bounce back or just working harder while doing the same thing is not a solution. In fact, the end result will be continuing to trend in the same direction and, unfortunately, that is likely to be downward.

This article will review four strategic steps I outlined

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last year as "four anchor stakes" that you need to pound into the fabric of your organization if you are going to be successful in 2009 and in the years to come.

Those four strategic steps are:

1. Differentiate your company from the competition.
2. Reduce costs by identifying and reducing waste.
3. Know where to invest your advertising and how to hold it accountable.
4. Build customer retention and loyalty.

First, the most important thing every business needs to do today is to "differentiate" their business from the competitors. As I am invited into furniture stores around the country to discuss their marketing needs, I continue to be amazed at how much they are all the same.

As I review their advertising, too many times the only difference between competing retailers is their store name. I walk through their stores and, most of the time, I do not even see one in-store sign that offers me a unique promise if I will purchase from that store.

What I do see are signs screaming "Sale," "Free Financing" and an occasional value-added offer with a purchase.

Let me make it clear that sales, free financing and value-added offers are vital to provide the consumer competitive offers. However, it is important to understand that the word "sale" does not earn loyalty. Rather, it is a flirtatious enticement that only lasts for the day. Considering the cost of today's media, that can be a very expensive proposition!

If you continue to build your company's marketing efforts around sale and financing alone, without developing a unique reason for the consumer to shop your store instead of the competition (your brand's unique promise to the consumer), you will never enjoy maximum growth and profitability.

When a consumer understands your unique position or brand promise, that thing that you do better than any of your competition, then they will understand why you should be their store of preference.

Secondly, I fully believe that if I cannot put a measuring device on some part of my business, I must assume that we are losing money in that area. It is vital today to hold every part of your business accountable.

To put this accountability goal into practice, ask yourself:

- Do you have an expected turn rate for existing items on the floor and when you bring a new item onto the floor? If any item does not meet your designated turn rate, do you have a plan to eliminate it and replace it with another item?
- Do you quote your insurance every year with at least three different companies?
- Are you holding the retail triangle accountable. I mean really accountable? Do you know how each

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sales associate is handling each customer? Do you know their close ratio and average sale?

- Do you have a system that focuses on ways to reduce service issues and increase delivery efficiencies?

If you don't, then I can assure you that you are losing thousands of dollars every week! No business can afford that kind of waste today and expect to be profitable.

When it comes to knowing where to invest your advertising and hold it accountable, there are some simple things that every retailer can do.

First, recognize that the Internet is taking center stage today in communicating with your customer 24/7 and in blurring the distinction between "advertising" and "information."

According to a big research survey conducted by the Retail Advertising and Marketing Association (RAMA) two years ago, consumers said that they search online after exposure to ads or products in magazines (47 percent) and newspapers (42 percent), on TV (43 percent) and while reading articles (44 percent).

This suggests that your business not only needs a content-rich, relevant website, but that you and your sales people need to take advantage of electronic communications.

Are you capturing customer emails? Are you segmenting email addresses with purchases and purchase history to provide relevant offers to the customer? If not, you need to talk to some professionals and discover ways to make technology work for you.

With broadcast media, learn how to determine a good cost per point and focus on targeted rating points. Also, ask to see a post-buy analysis to assure that you received 100 percent of the targeted rating points you purchased the previous quarter on television.

Print circulation continues to change in every market. If you are negotiating a price per column inch, make sure you know what the in-home subscriptions are and negotiate reductions in the rate if subscriptions drop more than five percent.

There are more sophisticated systems that will allow you to know which parts of your advertising are really giving you a return, but that may take the help of a professional marketing firm or media buyer.

Lastly, to be successful today requires that we increase customer retention and loyalty. You may ask, "Is focusing on customer loyalty really that important?"

Consider this calculation from John Bishop of Retention Marketing Systems who said, "The justification for customer retention marketing comes from the knowledge that it is five to 10 times less costly to retain a customer than acquire a new one. In fact, a 2 percent increase in retention rates is the equivalent of a 10 percent reduction in operating costs while a 5 percent improvement can lead to profit increases of up to 85 percent."

Need I say more? The old adage that it costs five times as much to get a new customer as to maintain an existing customer is truer than ever before!

If you would like to review details of each of these four steps, I encourage you to visit the *Home Furnishings Retailer* article archives (you'll find them on the NHFA website, www.nhfa.org.) and look up the "Turn It Around" columns from September 2008, December 2008 and February, 2009. However, with this brief review, my hope is that you have been enlightened to the fact that you are the solution.

So, get off the treadmill of busyness! Don't let routine day-to-day activities keep you from developing the strategic changes your business needs to win.

Build your brand so that it uniquely stands out from the competition. Reduce costs so that more money falls to the bottom line. Hold your advertising accountable (hint: it's not just about buying cheap spots). And, focus on customer loyalty and ways to build stronger relationships with your customers.

The year may be half over, but that means you still have one-half of the year left to make strategic changes and turn your business around in 2009! NHF