Four key benchmarks

by Douglas Knorr

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It's June already, and your opportunity for a successful 2010 is half gone. So, as you review operations at the year's half-way mark, where does your company stand? Is the cup looking half full or half empty?

If you are not sure why you are not meeting sales or gross profit expectations, then the cup probably looks half empty. However, if you have been holding every aspect of your company accountable and have been able to define what you need to do during the next six months to turn the year around, then the cup probably looks half full.

If you're thinking that retail is not easy today, you're not alone. In fact, it's clear that not much is easy these days for most people.

Whether you are a retailer, a vendor or a service provider, you need to know what it is that needs to be fixed and how to fix it, so that you can accomplish the goal of every business, which is to make a profit.

Those who say the glass is half empty always have a load of excuses as to why business is not good. Sooner or later, you'll hear them all say the same thing: "I am just waiting for business to bounce back."

However, if you are one of those who see the glass as half full, then you know that there are always solutions and strategic steps that can be taken to turn even the most difficult year around.

for business survival

There are four key areas we advise clients to handle in a strategic way — four strategies that can help you make the rest of 2010, and every year that follows, a successful one. These four main areas are Inventories, Overhead, Sales and Advertising/Promotions.

Inventories: turn, turn turn!

To everything there is a season, and if you're hanging on to old inventory, you're out of sync with the profitable potential of your business. One of the biggest dangers I see today for many retailers is that they are increasing their credit lines while inventories go unchecked. I call this "Kamikaze Retailing."

If you are not achieving at least three turns a year, you need to take a close look at your inventory and find out which merchandise is not turning. You may find that the old 80/20 rule is happening on your selling floor. Just 20 percent of your merchandise is providing you with 80 percent of your sales.

If this is true at your company, immediately define the bottom 20 percent of your inventory that is not yielding a return and do whatever it takes to turn it into cash!

Store inventory should make at least three turns a year.
If not, take a close look at inventory
and find out which merchandise is not turning.

This is the perfect opportunity to structure a major sales event. Afterward, you need to put the cash you generate back into your business, reduce credit lines and reinvest in merchandise that will turn.

You understand that this is no time to play around with pricing. You need to move this merchandise right now, because it's costing you more than it's worth anymore. The first mark-down is the most important mark-down, so make it irresistible! This is not the time to try to capture 40 to 45 points or more on an item. Be happy to get your cost plus commissions and an extra small percent of profit.

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Remember, the goal is to eliminate slow-turning inventory and turn it into cash, fast. Your sales staff will be excited about the exceptional value and will usually focus on these newly reduced pieces. I also recommend that you put a strong spiff on each of these to get them sold quickly and everybody wins. Your aged inventory isn't getting more attractive or trendy with time, so sell it, let it make some consumer very happy with you, and move on.

Overhead or in over your head?

If you want to increase profitability in a down market, you must put a measuring device on every part of your business. If there is any one part of your business you can't put a measuring device on, that's the part of the business where you are most likely losing money!

There is no room for excess overhead in any business today. Excess overhead robs you of the profit you deserve and hurts the overall strength of your company as well as your well being.

In the area of operations, you can always find a way to reduce costs by 10 percent. What it takes is cross training in departments, so that a smaller staff can back each other up. It may mean that fewer staff can have certain days off, like Saturday.

Train a critical eye on your warehouse, delivery functions and personnel. What are you doing today that could be changed to increase efficiency and reduce costs?

Your job as the leader of your company is to get out the magnifying glass and take a close look. When you take the time to hold these areas accountable, you will be surprised at how much more of your sales fall to the bottom line.

Make time to hold your company accountable! Get off the treadmill of busy-ness and start working on your business!

Sales: To get more, expect more

A multitude of words has been written and spoken on the subject of improving your sales-to-ups ratio. The best advice boils down to:

1) Increase product training.
2) Hold salespeople accountable for minimum close ratios and minimum average tickets.

Increasing training specifically includes improving staff's understanding of the unique benefits and features of every brand you carry on the floor. Your salespeople need to understand how to sell your products against competitors' similar products. If your salespeople do not know the advantage of your products over your competitors', they will not be as successful as they could be.

I could tell you story after story about salespeople that made big sales because they could explain why their product was a better value than the competitor's. Customers are more wary than ever of making a mistake with a big-ticket purchase, and they're fed up with salespeople whom they feel try to "sell" them instead of helping them analyze their choices to meet their lifestyle and budget needs.

In addition to more and better training, you must hold salespeople accountable. Recognize that if you do not have minimum expectations for close ratios and average tickets, your salespeople will not have them either!

You have heard it before, but it is worth saying again, "When 80 percent of consumers come into a home furnishings store wanting to buy, why do we settle for closing fewer than 25 percent?"

Advertising: Truth or dare?

The fourth step to turning this or any year, into a successful one is to have a well-planned advertising strategy.

"Well planned" advertising isn't just making smart decisions about where you are going to spend your advertising dollars. Far from it! It also includes crafting a strategic message, employing the right media for the message and focusing on creating customer loyalty.

Your message needs to clearly communicate your unique reason for being in business, in terms of customer benefit. Your message needs to quickly and simply boil down all of the great things you do and plans you've made, history you've earned — and put it out there in an engaging way that tells the consumer what's in it for her and why your store is the very best place to purchase.

Reasons could be based on your unique ability to deliver lifestyle choices that fit her style (or her aspirations), custom options, wide selections, design services, room packages, fastest delivery, or yes, unbeatable prices.

However, please do not think that the only thing you have to do is create one sale after another! Sales become "blah, blah, blah" when everybody's saying the same thing and you don't communicate your unique reason for being in business, in terms that add value and distinction in your customer's mind.

In addition to a hardworking message, you need to hold the communication media you use accountable.

Make sure that your targeted cost per points are reached at the end of a quarter for TV and radio stations. Request that newspapers provide you with in-home delivery subscriptions stats by zip code. Then, watch where your sales come from in relation to where you are investing your advertising budget.

Accountability with your advertising budget is the difference between investing your advertising budget or just spending your advertising dollars.

Of course, no successful strategic marketing plan can exist without a robust online web presence. The Internet is the only medium that offers two-way communication with consumers and customers alike. This is the perfect communications medium for you to really get connected to your customers and create customer loyalty.

If the glass seems half empty at the end of June, then follow the four steps provided starting in July. I think you will see that that half-empty glass can look half full in no time and you will turn it around in 2010! NHFA

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