



Patch the holes and grow your business

(Part Two)

by Doug Knorr



Turn It Around

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In Part One of “Patch the Holes and Grow Your Business” (which appeared in the May 2008 issue of *Home Furnishings Retailer*), we discussed the importance of holding your merchandising and inventory turns accountable. In this issue, we will take a close look at what we call the “Retail Triangle.”

The retail triangle consists of traffic ups, sales closes and the average sales ticket of your business. Holding your ups, closes and average ticket accountable is absolutely imperative if you want business growth.

How would you answer the following questions?

- Do you have a clear expectation of the percent of customers that come into your store that you expect to sell?

- Are you constantly working with your sales staff to develop new ways to increase your average ticket with each customer?
- Do you measure the effectiveness of your advertising by getting an honest reading of customer ups and traffic in your store?

If you cannot answer a resounding “yes” to each of these questions, then you have holes in your company that are allowing potential profits to leak right off the bottom line! Patching these holes is the key to turning your company around and enjoying growth and greater profitability.

First, let’s consider the customer coming in your door, who we affectionately call the “Up.”

It is important to understand that most customers who walk into

your store are hoping to make a purchase. Do you believe that? Or do you believe that today's consumers have so much time on their hands that they just want to shop and don't really have a desire to find the perfect solution to their decorating needs?

Research has shown that the majority of shoppers coming into a store are hoping to find what they want and make a purchase. However, an alarming amount of customers leave without making one.

So, what can you do to increase the number of your customers making a purchase when they come into your store (increasing your sales-close ratio)?

Several things:

1. First, walk through your store. Does the presentation provide excitement and value? Take a trip and visit the stores in your market. How do you compare? Take notes and then make appropriate changes to your store's presentation. Create "WOW" zones that will create a positive energy for the customer.
2. Is your store's "brand promise" clearly communicated throughout the store? As customers walk through your store, are they reminded and resold as to why they are shopping at your store and the value you provide? When your store is prepared to excite and resell customers who walk in the door, the investment you make in your sales staff will pay off in big dividends!
3. Finally, sales training and sales accountability are vital to increasing customer closings. It is not just sales training! Whatever sales system you are using will not be completely effective unless you hold your sales staff accountable. Only when you measure their close-to-ups ratio and hold them accountable will it improve.

Over the years, holding advertising accountable has always been seen as the most difficult part of any business. John Wanamaker, famous department store merchant at the beginning of the 20th century said, "Half the money I spend on advertising is wasted; the trouble is I don't know which half."

Today, technology, software and research tools have enabled us to add a degree of science to our advertising and marketing. However, each advertising medium needs to be held accountable.

Understanding targeted rating points and cost-per-thousand metrics are important. Also, you will want to make sure you do a post analysis on each medium to ensure that you purchased the viewers, listeners or readers that you were promised.

Finally, let's discuss average ticket. I believe increasing your average ticket is the best way to grow your business.

Just consider the present market situation. There is greater competition and a broader base of distribution channels. In addition, plunging consumer confidence levels and eroding discretionary household income make it clear that every retailer has to do more business with fewer customers!

For example, the cost difference between delivering a \$700 sofa or a \$1,500 room group is marginal. However, the profit on a \$1,500 room group is far greater! In addition, selling an entire room versus just a sofa will generally yield a more satisfied customer.

Research indicates most customers are afraid that they will not like their purchase when they get it home. And a customer who is afraid or confused will not purchase.

Here are a few of the ways to increase the average ticket in your store:



Start patching the holes today!

- Store presentation should feature well-accessorized vignettes to help the customer visualize how the furniture will look, so they will have greater confidence in making a larger, coordinated purchase.
- The most successful retailers are integrating "In-Home Design" programs. When you are invited into the customer's home, you increase your relationship with the customer because you work as a team to help the customer accomplish their decorating plans. In addition, this gives you the opportunity to help them make future decorating plans for other rooms.
- Cross-selling is always a great way to increase the average ticket. For example, when you sell a bed, make sure you offer the customer a discount coupon for a new mattress.
- With most stores, delivery costs are not based on the amount of items being delivered. So when a purchase has been made, it is a great time to suggest to the customer that an additional purchase would ride free with no extra delivery cost.

Remember, patching the holes in your business is all about integrating accountability standards in every part of your business. Start today — patch the holes, and you will turn your business around in 2008! 