



Top eight bad habits that can kill your business



Turn It Around

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by Doug Knorr

At the WHFA conference in Maui in May, I heard another speaker ask this question, "Does practice make perfect?" My inclination was to respond with a resounding "Yes!" But a more correct answer is, "Practice does not make perfect; rather, practice makes permanent."

We all know that, unfortunately, it is just as easy to practice doing something the wrong way as it is to practice doing it the right way. Even more disturbing is the fact that, if you practice doing something the wrong way, in time, doing it the wrong way will become permanent.

So, what does that have to do with turning your business around? In one word: everything! Let's consider just what happens when we continue to practice bad habits in our business. Specifically, let's look at the four basic areas of retail business management — sales, merchandising, advertising and operations — and identify just two bad habits for each that may be robbing your bottom line of thousands every year. Today, if you are not practicing new ways to hold each of these areas accountable, you may not be in business next year.

Sales Department Bad Habits:

- 1) No accurate tracking (including capturing contact information for follow-ups) to provide you reports on a daily, weekly and monthly basis.
- 2) No system to increase close ratios, average ticket and gross margins in your company.

If you are practicing these bad habits, you cannot manage your salespeople with accuracy.

With industry research indicating that 80 percent of people coming into a home furnishings store do so with a desire to buy, why are too many retailers happy with salespeople who permanently have close ratios below 30 percent and even below 20 percent?

What good habits can you start to replace these bad ones?

- Review the features and benefits of all your products over and over again. People don't buy because they haven't been provided enough information to come to a buying decision. Make sure your salespeople are equipped to explain ALL the details about a product and how it can make the customer's life better, easier and more comfortable.
- Create a comparison chart of your store vs. your direct competitors. How does the merchandise you carry compare with that found in other stores? What experience, features and

Industry research shows 80 percent of furniture store shoppers come in with a desire to buy, so why do so many retailers keep salespeople who have consistent close ratios of 20 to 30 percent or worse?

benefits does your store provide that others don't?

- Equip your sales team to provide in-home room plans, thereby building a stronger relationship and opportunity for larger sales tickets with the customer.
- Have manufacturer's representatives make presentations to your staff every Saturday, before you open the store, to build their product knowledge and get them ready for the biggest sales day of the week.
- Quiz and test the sales staff on products and conduct one-on-one role playing to show them different ways to probe customers and provide them solutions.

Substitute good habits for bad, starting with practicing the fundamentals of good sales training. If you can, engage a professional sales training company to guide you in this process and

help you monitor your progress. To increase close ratios and average tickets, hold your sales staff accountable!

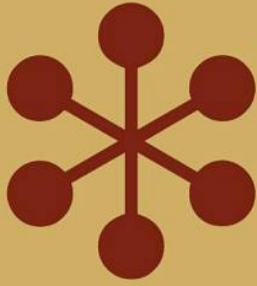
Merchandising Department Bad Habits:

- 1) Inconsistent tracking or no tracking of turn rates.
- 2) No system to identify and sell-off excess/slow-moving inventory.

Obviously, excess inventory hurts cash flow as well as your bottom line. What new, good habits should you practice to avoid these problems?

- Assign an expected turn rate to each new product you bring on the floor.
- Discontinue items that do not reach your minimum expectation so that you can invest in a replacement product that will give you greater turns and profitability.
- Analyze what you are

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Create a comparison chart of your store vs. your direct competitors'.

How does your merchandise compare with theirs? What experience, features and benefits does your store provide that others don't?

losing in revenues by not holding your merchandising accountable, to see if this will justify a better computer system or person to manage your inventory quickly, easily and decisively.

It is amazing to me just how many retailers have no real inventory turn expectations at all. And, if they do, many of them do not hold their store accountable for meeting expectations. Rather, they just continue to practice bad merchandising habits and wonder why they are not more profitable.

When it comes to merchandising, you must let sales data guide you, not comments from customers or staff or your own opinion. Practice consistently analyzing every item on your floor for its ability to increase turns and gross sales. If it fails, unload it fast. You literally can't afford not to.

Advertising Department Bad Habits:

- 1) **Not holding media accountable.**
- 2) **Not embracing a multi-channel advertising program, including the Internet.**

Good practices in media analysis, planning and monitoring may save you 15 to 35 percent in media costs. Today, technology, software and research tools enable marketers to hold media accountable by analyzing target rating points, cost-per-thousand metrics and identifying trends in rating book reports.

To hold traditional media accountable:

- For television, you need to know how many houses are using TV during a program (HUTs) and how many persons are watching a certain program (PUTs). From this you can determine cost-per-point and develop a defensible media plan.
- For radio, look closely at rankers by age and day part. If you are adjacent to a metro area, you will find that many times it is hard to gain efficiencies because you are paying for a lot of coverage that you cannot use.
- With newspapers, compare 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.

There is a great deal of media fragmentation today, which means you have to shop smarter but also means you don't have to pay for as much waste. To reach today's consumers, whatever your target demographic, you must show up in the media they choose.

One essential medium is the Internet. You absolutely must fully integrate it into your marketing strategy. In five recent issues of this column (February-June 2009) I addressed what it takes to make the Internet work for a company. You can find these previous articles on the NHFA website archives of past issues (www.nhfa.org) or visit our


website (www.knorrmarketing.com) and click on "Read Our Articles."

Operations Department Bad Habits:

- 1) **Not tracking product return/product problem costs.**
- 2) **Complacency with resources.**

Instead, practice the following:

- Calculate and track the percent of your sales each month that are offset by customer returns or product problems. Discuss these findings with your sales and delivery staffs and explore ways to lower the percentage.
- Negotiate your insurance policies every year.
- Explore new ways to reduce your delivery costs.
- Hold every line item and every department accountable to reduce costs and increase profits.

Habits, good or bad, take time to become permanent, so start now undoing the unprofitable ones and instituting the profitable ones that earn you the success you deserve. It is amazing how quickly you can turn your business around when you practice doing the right things until they become permanent! 

There's never been a better time to call us than times like these.

"Every bill that became due has been paid, every check has cleared and I have a very nice balance in my bank account. And it's all because of the sale we concluded last week"

Joe Bograd, Owner
Bograd's Fine Furniture
Riverdale, NJ
June 18, 2009

For nearly a century, retailers have depended on the Lynch Sales Company to be there through thick and thin, helping them reduce inventory while improving cash flow and profits. And today is no different. Regardless of economic climate, you can depend on our 95 years of stability, because we have helped our retail clients weather every economic storm since 1914.

In fact, we originated the entire concept of promotional sales to generate cash, expand or change location, remodel stores, or update your inventory – all designed to make successful stores even more successful, without the gimmicks promised by liquidators.

Isn't this the perfect time for a Lynch Sale event? OUR clients are doing substantial business even during these harsh economic times. Call today for an outline of our copyrighted SALE PLANS. Find out how a Lynch Sale can help your business weather the current storm and prepare for the future.

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