



Winning Strategies for Independent Retailers

WINNING STRATEGIES FOR INDEPENDENT RETAIL BUSINESSES

I. Introduction

- a. This is a workshop for independent retail business owners.
 - i. The principles discussed during this series of workshops are applicable year around; however, we will use the upcoming *Holiday* season to exemplify inventory management.
 - ii. Most of the principles discussed here apply primarily to independent retail stores. Chains often have centralized systems and management that takes care of many of the tasks required of the independent retailer. The underlying principles, though, are the same no matter store size or ownership.

- b. What are we going to cover in this series of workshops?
 - i. Identify and discuss eight (8) key issues that contribute to the success of your independent retail business.
 - ii. Then, we will present some strategies, which, if pursued, will enable you to have a more profitable business.
 - iii. The strategies you ultimately implement need to be realistic; that is, not requiring money that you don't have. We have created 11 strategies for your consideration.
 - iv. If we can be of assistance in helping you to implement these strategies please call on us.

- c. These are eight (8) key issues that go far in determining whether of not an independent retail business is successful:
 - i. Inventory Management**
 - ii. Merchandising**
 - iii. Staff Selection and Training**
 - iv. Marketing**
 - v. Salesmanship**
 - vi. Customer Service**
 - vii. Financial Management**
 - viii. Financing**

You will notice that market potential is not on this list. If there is not sufficient market for your product, your success in implementing strategies relating to these eight (8) issues will be of minimal importance.

II. **Inventory Management (request: *Open-to-Buy* form)**

- a. A retail axiom: You've got to have the goods to generate the sale.
- b. Critical questions though are:
 - i. What quantity?
 - ii. What mix?
- c. Determining the answer to these questions when you first open your business is more difficult than when you have some operating history. The quantity and mix question is often answered from a more gut sense perspective than from a scientific point of view. Key considerations in inventory management:
 - i. Need to determine the required base inventory level to generate estimated sales.
 - ii. Need to alter base inventory, as required, to be stocked up for various seasons.
 - iii. Need to understand the concept of inventory turnover.
 - iv. Need to have an inventory clearance plan in place to move out the old, so you have the resources and room for the new.
 - v. Need to have an open to buy system, even if it is manually managed. In fact use of a manual system is a good way to get ready for automation.
- d. Here is a method to follow to determine how much inventory you need for a *Holiday* season:
 - i. Estimate sales for the season (eight weeks):
 - i. For illustration purposes we will assume that sales for this eight-week period will represent 35% of your store's annual sales.
 - ii. Thus, if your annual sales are estimated at \$500,000; \$175,000 will occur during the holiday season.
 - ii. Determine inventory required to generate the seasonal sales, and the base inventory that needs to be left in mid-January.
 - i. Institute an open to buy system. Please refer to attached form.
 - ii. Estimate cost of goods at 50% of retail, or \$87,500

- iii. Depending on store type, a percentage of this inventory should be seasonal items. For illustration purposes, we will use 20%, or \$17,500.
- iv. The other 80% (\$70,000), then, will be your more standard inventory.
- v. If you have a good supply line, your standard inventory could turnover the equivalent of one (1) time during the eight- week season, indicating that you will need an inventory level of \$70,000 to meet the anticipated demand.
- vi. This inventory amount is that which is needed above your desired base inventory level. For our illustration, we will assume that the desired base inventory level on January 16th is \$50,000, and that the same inventory level on November 15th was \$60,000.
- vii. While you may re-order seasonal inventory, it is safer to plan on there being no product left when you need it, so count on having the required amount in stock at or near the start of the season. In our illustration this would require an inventory level of \$17,500.
- viii. The combined over and above inventory level needed for the *Holiday* season, with the intent of maintaining a base level of \$50,000 on January 16th, is \$77,500 (\$17,500 for seasonal items and \$60,000 for more standard items)
- iii. While you need most of the inventory in stock at or near the beginning of the sales season, actual sale of the product will peak during the mid four (4) weeks of the season. Consequently, extended billing terms from your suppliers are highly desirable.
- iv. A word of caution:
 - i. Do not over buy just because you are offered extended billing terms.
 - ii. Establish a quick fill supply line for those items that may be your most popular. This typically requires buying from a wholesaler that does not have high minimum quantities.
- v. Use the *Holiday* season to freshen up your inventory; that is, get rid of the stuff that has not been moving to swiftly, by offering it at a discount (deep discount if need be).

III. Merchandising

- a. We will consider overall store appearance in this section also:
 - i. Needs to be clean.
 - ii. Good lighting.
 - iii. Fresh coat of paint can do wonders.

- iv. Neat, even though your theme may be a bit (or a lot) eclectic.
- b. The 80:20 rule:
 - i. 80% of sales generated by 20% of merchandise.
 - ii. Need to have best selling merchandise at front of store.
 - iii. Think breadth at front of store; depth in rest of store.
 - iv. Have “quick mover” merchandise displayed near the register: OSH has candy by the register for goodness sake!
- c. Think through how you want the customer to move through your store. Develop theme areas.
- d. Display merchandise so that people are drawn into the store, and throughout the store. Put some primary traffic generators at the back of the store.
- e. Display merchandise so that browsing is encouraged. Browsers become shoppers.
- f. Lighting is critical.
- g. Display units sell; so do shelf-talkers
- h. Signs within the store are very important.
- i. Create seasonal displays.
- j. If you are encouraging self-help then make it easy for people to do this.
 - i. Have range of options in evidence; i.e., sizes and colors.
 - ii. Make it easy to read prices.
 - iii. Make sure your signs are accurate.
- k. If you are not encouraging self-help, then, make sure your employees are trained and available to help people.

IV. Staff Selection and Training (request: *Basic Human Resources*)

- a. Owners/managers you need to make the pass.
 - i. Why should customers want anybody but you to serve them when you take such good care of them?
 - ii. What are you not doing by spending most of your time on the sales floor?

- iii. Tasks like planning, merchandising, scheduling, and buying cannot be done by others.
 - iv. Sales can be accomplished by others, but the people need to be trained.
- b. Most small retailers (other than you) do a poor job of selecting and training staff.
- c. Here's a summary of the staff management process:
 - i. Use a well thought out job description.
 - i. Give it to prospective employees.
 - ii. Use it to guide your selection.
 - ii. Have all prospective employees fill out an application form.
 - iii. Before hiring, make sure the prospective employees know the job requirements.
 - iv. Once a person is hired, create an employee file.
 - v. Use counseling forms whenever you talk with an employee about an issue.
 - vi. Record other important interactions with the employee.
 - vii. If termination is required, use form to record reasons.
- d. It is up to you to train employees, or have them trained. They can not do what they don't know how to do:
 - i. Show them how to complete a task.
 - ii. Have them help you complete the task.
 - iii. You help them complete the task.
 - iv. Leave them on their own; however, check frequently to see how they are doing. Correct as you go along, don't store it up.
- e. Some training tools:
 - i. Direct instruction.
 - ii. Videos and other self helps.
 - iii. Vendors.
 - iv. Workshops presented by merchant associations and others.
- f. Motivation:
 - i. Whatever you have identified as an employees important tasks, use motivation tools often to reward.
 - ii. Some examples:
 - i. Reward for selling the most of some item during the day or week.
 - ii. Reward for excellent customer service; consistently not just one time.

- iii. Reward for not missing work when scheduled, and being on time.
- g. Some don'ts:
 - i. Allow telephone calls while on duty.
 - ii. Chewing gum or eating when on duty.
 - iii. Allow customers to not be greeted when they enter the store.

V. Marketing (request: *Marketing Plans*)

- a. Simply stated, marketing encompasses all of the things that you do create and maintain an image of your business.
- b. This includes:
 - i. Business cards and letterhead.
 - ii. Other collateral materials.
 - iii. Community involvement.
 - iv. All of the things that happen within the walls of your store.
 - v. Store appearance.
 - vi. Inventory levels.
 - vii. Staff courtesy and knowledge.
- c. Marketing and advertising are not synonymous.
- d. Advertising
 - i. The primary motivation for advertising is to generate sales.
 - ii. Know your target markets. Typically there are 3-5 groups of people that generate 80% of your stores sales.
 - iii. Know what advertising mediums are most often read/listen to by your target markets.
 - iv. Identify and know what and where your competitors are advertising.
 - v. Establish a budget for advertising; should be 4%-6% of sales; most spent in the last quarter of the year, however. Need to push the peaks.
 - vi. Create an advertising plan.
 - i. If using different mediums at the same time, be consistent.
 - ii. Lump ads rather than spread out.
 - iii. Need to make an impact.
 - iv. Don't use a lot of words; pictures are good if they are of good quality.
 - v. Develop a way of tracking.
 - vi. Allow time for impact; people usually need to see or hear an ad 4-5 times before they begin to pay attention to it.

- vii. On the other hand, don't go too long with something that is not working.
- viii. Use cooperative advertising to the greatest extent possible.

VI. Salesmanship (request: *Salesmanship*)

- a. Part of the sale process has already been completed when people walk in the door of your store. They were interested enough to enter.
- b. Merchandising is intended to help the sales process along.
- c. Personal interaction often required to seal the deal.
- d. Some important points:
 - i. Whenever possible, greet the customer when they enter the store. Don't land on them with the not very effective "Can I help you" question. Let them settle in first. Engage them in conversation before going for the sale.
 - ii. Get the merchandise into the hand of the customer.
 - i. Know your merchandise.
 - ii. Be able to point out its benefits.
 - iii. Be a better listener, asking good questions, than a talker.
 - i. Find out what they are looking for, and why.
 - ii. Turn objections into opportunities for further explanation of the benefits of the item you are showing the customer.
 - iv. At the appropriate time, go for the sale. Here are some examples of closes:
 - i. Alternate choice close (Put the ball in their court by asking which of these two colors do you prefer.)
 - a. Need to be quiet after you ask the question; concentrate on clarification as customer requests.
 - b. Good approach when customer is considering product options.
 - ii. Assumption close (Can I gift wrap that for you?).
 - a. Works best when sales person knows the customer.
 - b. Need to accurately assess that the customer wants to buy the item, and just needs a little push toward the close.
 - iii. Compliment close.
 - a. Can only use this with a few special people.

- b. You have to know them, and they need to be generally as knowledgeable about the product as you are.
 - c. You can use a phrase like – “As an experienced book purchaser, I don’t have to tell you the excellence of this author.”
 - iv. Maybe only one left close.
 - a. Needs to be true and accurate in every way.
 - b. Don’t deceive!!
 - v. Summary of benefits close.
 - a. Need to be matter of fact in the presentation.
 - b. Too much emphasis on benefits will usually generate a negative reaction from the customer.
 - vi. Which ever close you use:
 - a. Be sincere.
 - b. Be natural.
 - c. REMEMBER – IF YOU DON’T ASK FOR THE SALE YOU WILL NOT LIKELY EVER GET IT.
 - v. Remember to cross sell; also to cross merchandise.
 - vi. Good salesmanship can reduce “shrinkage”.
- e. Training is imperative:
 - i. Need to know the merchandise.
 - ii. Need to know the sales process.

VII. Customer Service (request: *Customer Service*)

- a. Requires that you see people as desired long-term customers, not just people that you want to buy merchandise from you this one time.
- b. Customer service is a process not an event.
- c. Be prepared to:
 - i. Complete the sale expeditiously.
 - ii. Deal with returns.
 - iii. Handle bad debts.
- d. Contact with customers other than when they come in your store is important:
 - i. Develop a mailing list.
 - ii. Use the telephone (e.g., call 10 customers each day)
 - iii. Use e-mail and faxes.
- e. Do unto others, as you would have others do unto you.

- f. Go the extra mile.
- g. Do what you say you will do, when you say you will do it.
- h. Be truthful.
- i. Use firmness when required.
- j. Don't respond out of anger.
- k. Guess what!
 - i. Some people are a pain in the ____.
 - ii. They are not singling you out for mistreatment; that's how they go through life.
- l. If you or an employee has a bad encounter with a customer, allow some recovery time.
- m. Good customer service can reduce "shrinkage".
- n. The cost of developing a new customer is about 10:1 over the cost to retain an existing one.

VIII. Financial Management (request: *Financial Management for Small Business*)

- a. The key to your long-term success.
- b. Learn how to read:
 - i. Income statements
 - ii. Balance sheets
 - iii. Cash flow statements
- c. Keep records:
 - i. Quicken Home and Business is easy to use. They now have a payroll module.
 - ii. Can also use Quick Books, which provides a more comprehensive accounting program.
- d. Take advantage of early payment discounts, but not at the expense of:
 - i. Cash flow management.

- ii. Develop a re-ordering cycle so that you don't have too much money tied up in inventory at one time.
- e. Keep a close eye on payroll. It's the one thing that you can alter pretty quickly.
- f. When trying to save money don't forego:
 - i. Good inventory levels.
 - ii. Advertising.

IX. Financing

- a. What do you need it for?
- b. Two types:
 - i. Equity (you have it)
 - ii. Debt (you borrow it)
- c. Business ownership structures and accommodating your need for money:
 - i. Sole Proprietors
 - ii. General Partnerships
 - iii. LLC/LLP
 - iv. Corporations
 - i. C
 - ii. S
- d. Equity
 - i. Hard money
 - ii. Sweat
 - iii. Trade
- e. Debt
 - i. Common instruments
 - i. Loans
 - ii. Leases
 - iii. Credit
 - ii. Secured vs. unsecured
 - iii. Loan types
 - iv. Loan packages

X. Eleven (11) Key Strategies:

- a. Project sales quarterly, then, have sufficient inventory to generate the sale estimates.

- b. If applicable to your business, develop and use an inventory management system; maintain a good base inventory, and plan to push the seasonal peaks.
- c. If applicable, create a merchandising plan; again, quarterly. Push the seasons. Take into consideration how you want the customer to move through your store.
- d. Remember that store appearance is an important component of merchandising. It's hard to display high-tech product in a low-tech space.
- e. Develop and maintain staff selection and training procedures. Use an employee's manual.
- f. Determine a business identity, then, communicate it everything.
- g. Determine your target markets; then, spend your advertising dollars on those markets primarily.
- h. Commit to generating sales. If they come in the door, don't let them leave without buying something. This takes training and motivation techniques.
- i. Commit to customer service. Remember the cost of generating the customer. Don't let them go.
- j. Repeat this mantra – financial management is one of the keys to my businesses success.
- k. Commit yourself to making the pass.