

BEING BEST IS BETTER THAN BEING BIG

by Linda Carter

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Independently-owned businesses have been taking an unfair rap for the last few years. It seems that they are all failing or about to fail. According to 'common knowledge' we are told they can't compete with the BIGS who are owned and operated by publicly traded corporations. As the story goes, the smalls can't buy merchandise as advantageously, they aren't as professionally managed, they can't get as good a deal on leases or interest rates, they are not technologically up to date and on and on. In short, there are only a few survivors and their days are numbered. It is true that many small stores have closed up and a lot of those have failed. But at the same time, many large retailers have also failed.

It is difficult out there. There are too many stores. Even without hearing the statistics about how many square feet of retail space there is for every person in the country, we can see it with our own eyes. The number of shopping centers seems to be increasing without any end in sight. If the lenders will lend the money the developers will build the centers and lease the space to anyone who can come up with a month's rent. Too many times the lease is so one-sided the landlord is the only one who can possibly make any money.

There are exceptional small, independently owned retail stores out there. They exhibit some common traits, which are listed below.

NARROW FOCUS

Small stores do not try to be everything to everybody. They know their customers and buy appropriate merchandise to take care of them. Big stores are general. The Best small stores are specific to city and customers.

PASSION FOR CHANGE

Retailing has gotten more difficult in that management must recognize when dramatic change is called for and be proactive about initiating whatever change is called for. Business as usual is not good enough. Primarily, the retailer must recognize that the store, its product and marketing effort must be sharply focused. More than ever, the store must stand for something and the customer must have a clear understanding of what it is the store is standing for. Then the store must reach out and capture the customer.

ESSENTIAL TECHNOLOGY

Too many store owners still operate from the seat of their pants or if they have a good management information system, reports are not accurate or not published on a timely basis or even worse the reports are not used. Best stores know that they need technology to run their stores in an effective and efficient manner. They look forward to getting new technology that will help them and give them a competitive edge. Retailing has gotten more difficult. The biggest risk in retailing is owning inventory. Information is powerful medicine in the combat with competitors. Complaining about the competition from chains that have great systems is wasted energy. It is more productive to make the commitment to modernize the recordkeeping by implementing an integrated computerized management information system that includes any or all of the key retail modules; sales and inventory, accounts payable, accounts receivable, payroll, general ledger, customer marketing and point-of-sale.

NECESSARY MARKUP

For the best stores, 50% markup is long gone. They know they are entitled to a fair profit and low markups won't get the job done. The expense of operating a store continues to increase and so must the markup. They are

not like Wal-Mart and able to tell a vendor the price they will pay, however, they know the markup they require and are not hesitant about passing up any vendor's merchandise that will not allow them to get it.

OBJECTIVE RELATIONSHIPS

Best stores know they cannot just continue to buy from the same vendors year after year. They must expect their suppliers to produce results. If sales drop, or shipments are late or incomplete for a vendor then it is time to look for a new one to replace it.

CONFIDENT BUYING

Best stores thoroughly understand their customer and their merchandise. The person doing the buying is also on the floor selling. They use an Open-To-Buy so they do not overbuy or under buy (both bad).

AGGRESSIVE MERCHANDISE MANAGEMENT

Best stores take appropriate markups and appropriate markdowns. Their gross margin is exemplary and their turnover exceeds industry norms. They do not carry merchandise over from season to season or year to year. Their inventory is clean with an appropriate selection of new goods. They use an Open-To-Buy at the classification level to help them purchase the 'correct' amount of merchandise so they do not have too much or too little.

EXCEPTIONAL STAFFING

One feature they have in common is that they rely on their sales staff and themselves to bring customers into the store rather than relying on bloated inventories and advertising budgets. They know having an excellent sales staff can be the difference between a successful store and a store doing poorly.

EXEMPLARY SERVICE

At Best stores, customer service isn't just a policy, it's an attitude. Empowered sales staffs keep customers happy. Best stores understand that exceptional customer service is what sets them apart from the BIGS and they work at it every day.

UNCOMPROMISING STANDARDS

Best store owners don't settle, or make excuses. If sales are below plan, they find out why and make changes to turn it around. They are very focused - their business is their only career. Too many store owners don't feel that they are accountable to anyone. This is a distinct advantage of publicly held companies whose stock is widely held. The management is accountable to a board of directors who is accountable to the stockholders. Too often the independent retailer does not know how to resolve a need or problem and won't seek help. Tough decisions don't get made. Complacency sets in and it is just a matter of time before they are no longer profitable and their creditors are barking at their heels. Also, too many individual owners treat their

business as a tax shelter trying to avoid income tax instead of generating the maximum amount of profit. They coast along in low gear and then it takes only a little head wind to push them backward. They don't demand that they and their business operate at full throttle all of the time.

Not all people want to shop at the BIG stores who all seem to have similar offerings. They want personal service, and a good value for their money. These are the people that shop at specialty retail stores. These are your customers. The Best stores know this and do all they can to get these people into their store.

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