

# Centrestage

Keeping you up with the play in Central City

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CENTRAL CITY BUSINESS ASSOCIATION



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CHRISTCHURCH

## Power Driven Retailing

The rules of retailing are changing. There is a tough new consumer who is demanding more and getting it. The key to your success is to be able to adjust to the changing business environment faster than your competition.

In today's explosive marketplace, with skyrocketing expenses and stagnant revenues even well-managed businesses find it hard to produce bottom line profits.

### No customers = No cash flow!

It doesn't matter how great your products are or how wonderful your service is, if you don't have customers all you have is inventory with fixtures and a business with no cash flow.

In the uphill battle to generate more sales the winner is not always the biggest but the most resourceful. The most important 'survival skill' is to be able to anticipate change and identify new money-making opportunities. Small retailers can fight back by updating their overall marketing strategy: refocusing on items, price, and efficiency, and by countering with lots of in-store celebrations, glamour and fun.

The purpose of your business is to bring in customers, and it can only be achieved through special marketing skills. If your cash registers don't ring, something is wrong and you better find out what it is fast, because getting results is what counts.

### Three ways to make your business grow

There are three ways to make your business grow:

- Find new customers.
- Increase your average sales transaction.
- Give customers more opportunity to buy more frequently from you.

Improving any of these three categories will boost sales. But the moment you decide you're going to systematically improve all three together, you'll catapult your business threefold.

Your inventory is not like fine wine, it does not get better with age so don't fall in love with your merchandise. Customers buy because of a self-serving benefit that your service provides for them. It is called -- WIIFM (What's in it for me?) It is not the customers' concern why you are in business. People don't care if you need to make payroll or even if you have 100 different diplomas or come from the best family in town. They only buy from you to benefit themselves.

1. What benefits do you offer?
2. What are you doing better than your competition?
3. What are they doing better than you?
4. Do you pay attention to how your competitors price their products?
5. Can your customers easily obtain a product as good or better somewhere else?

In retailing, the trick is to know your competition... your customers do. To survive and prosper in today's competitive markets, retailers must develop more efficient operational and marketing skills. Stores wedded to the old ways of doing things are almost sure to fail.

And finally, you should never hesitate to hire an outside expert with specialized knowledge and skills - whether it be in computers, design, advertising or retail - to make your business more effective, productive and profitable.



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## FIVE RULES FOR RETAILING IN TOUGH TIMES

on their most loyal customers. That seems sensible enough but paradoxically, your most loyal customers are not your best source of revenue growth in a recession.

Identify growth opportunities in your market

You're already collecting most of the money they're spending. If they suddenly spend 25% less, most of that will come out of what they spend in your stores. It's not likely that you'll pry away customers who are fiercely loyal to other retailers either. Your best opportunity lies with 'switchers' - people who spend money in your shops and elsewhere. If you collect only 20% of what they're spending today but can increase that to 30%, you'll still realise a net gain even if their total spending drops by 25%. Drawing on a study of more than 50 major U.S.-based retailers

Harvard Business Review, April 2009 - In tough times, many retailers focus and over 20 years of global consulting experience, consultants Favaro, Romberger, and Meer set out five operating rules to help retail executives determine where to direct recession-squeezed resources for the biggest return. These rules basically boil down to: (1) Identify the people who are shopping both in your stores and in others elsewhere (or want and can't find at all) and adjust your offer so you can give it to them. (2) Analyse which of your costs contribute to producing the benefits the switchers want then spend more on those activities and less on the ones that don't matter to them. (4) Organise your efforts efficiently by grouping your stores into clusters based on different populations of switchers. Finally, (5) focus your customer research, merchandise-planning, performance management and strategic planning process on the switchers. By following these rules, struggling retailers will discover more growth opportunities than they might have first thought.