

Business Today = Change

Doing Business in a Difficult Economy

It seems that everything you thought you knew about how to succeed in business just doesn't work. Today everything in the world is interconnected and what happens in Europe, Asia, America or the Middle East affects everyone. Very few business leaders fully understand what is happening, why it is happening and what they need to do to respond as business changes from prosperous to difficult, competition increases and margins shrink. Your customers vote with their dollars and with your business behavior, your budgets, and your strategies you hope that something will work.

Strategies must be developed that address the current situation and how to move your business forward. You must understand your leadership's mindset, employee's behavior and your customer's response. You must also honestly assess your operational foundation. If there are weak operational structures you chose not to address in good times, when business get tough, these operational weaknesses might determine if you make it or not through a downturn. What was successful yesterday may not work tomorrow. Underlying problems must be understood and addressed. Both large and small businesses must take an honest assessment of their business model, brand position, the current reality and then embrace change. What is going wrong?

No clear strategy

Many retail businesses today are the shape and size they are today more by accident than by design. The company has grown and evolved with a life of its own, rather than being driven by a clear corporate strategy.

Too many retailers are not prepared to make hard decisions when it comes to rationalizing their company, their brand and value propositions. Unproductive stores remain open even though they are not profitable because they feel it is too expensive to close down, pay off the lease and move to a better location. What was a great location 10 or 20 years ago may not be the right location now. The hard reality is that there is no room for sentimentality in retail. If a location is

not viable, it is not viable. A location that is making just enough money to pay the rent is not a good enough reason to keep it open. If you consider the amount of management attention required, labor expense, logistics costs, marketing support and potential brand busting of a bad store, the return may be much better if you relocate to a better location or close the store altogether.

If a customer does not clearly understand your value proposition, you have lost. When you invite customers into the store and disappoint them because of poor presentation, sterile environment, excessive out of stocks, poor customer service or non-competitive prices... your customers will evaporate.

Upside down structure

When the corporate office becomes the center of the universe, you are far removed from the day to day realities of retail and have lost sight of why you are in business.

When you ask your corporate employees what they do for a living, they say, "I work in marketing, HR, logistics, buying, advertising". The answer should be retailing. These responses are symptomatic of a very common attitude - retail exists to provide money to keep the corporate office running rather than the corporate office exists to help the retail stores satisfy their customers and make money.

Everyone subscribes to 'the customer is king'. For every corporate employee the most important customer is the store manager. Unless he buys into what you are doing, your business plans will never get executed properly.

Ultimately everyone working in the corporate office needs to understand that they are directly responsible and accountable for retail store performance.

Poor management

Field management is the critical link between the corporate office and the retail stores organization. It is the conduit through which strategy is transformed into action. Frequently field managers are not well managed themselves. They sit comfortably between retail operations and the corporate office and may not be held directly accountable by either.

Field managers must be accountable for implementing basic retail disciplines and also supporting and coaching to increase standards, maximize sales and profitability and assure that the customer experience is the best.

No standards

Inconsistency of standards across the company will kill the brand.

There are two main causes of underperformance, a lack of clearly stated performance standards and poor store management. It is a surprising the number of retail businesses that operate without setting any kind of performance targets. If the sales team is not targeted or incentivized to achieve specific sales results, there will be a lack of urgency in the sales effort. Even if targets are set, they are often set in vague terms of a store target on a weekly or monthly basis.

For sales targets to be motivating they need to be set in terms of individual or team performance and measured on a daily basis. If the target is set in terms of daily sales quota, units per transaction, transactions per hour or average sales ticket, it creates a sense of urgency in every customer interaction. To drive target achievement and customer satisfaction standards need to be set so no sales opportunity is wasted.

Retail businesses fail because they don't have standards or if they do, they are not enforced. Ensuring that standards are enforced is clearly the responsibility of the management team. If a store manager is not strong enough to insist on compliance, they cease to be standards and become suggestions. The first time a manager accepts below standard performance and non-compliance, the game is lost.

Managers need a 'tool kit' that helps establish a framework of management skills and practices to drive performance, customer satisfaction and profitable outcomes.

Ineffective selling culture

It is everyone's job to satisfy the ultimate customer and sell something. When you ask employees what their role is and they say "merchandising, stocking, pricing" they do not understand retail. All these jobs are important, but what they do supports selling and serving the customer. It is not unusual for a sales associate to avoid talking to a customer. The old joke that

'this place would run much better without customers' accurately reflects a culture that is prevalent in a significant number of retail businesses.

Every employee must clearly understand that they must CARE. CONTACT every customer, ASK questions to determine customer's needs, RECOMMEND products and solutions, and EXIT (ask for the sale), making sure that every customer has everything they need to make their purchase work or work better before they leave the store.

Undertrained employees

Your associates are not properly trained and do not understand what is expected of them. Ongoing training and coaching is an essential element of success. There are many corporate excuses for this dilemma. 'It is too expensive', 'I can't take my people off the selling floor to train them', 'I train my people and then they leave'.

If the strategy is to improve your employee customer experience and profitable outcomes, you must invest in training your managers and store employees and then hold them accountable for their store and personal training agenda.

If you are afraid of investing in training because of employee turnover, turn it around. What if you don't train and they stay. Even though staff turnover in retail is very high, you must maximize the return you get out of your people while they are with you. The fact is that better training reduces turnover.

Low customer loyalty

In any economic climate it is critically important to understand your customers. Who are they? Where do they live? Where do they work? What do they want or need? Success begins with gaining a deep insight into your customers, their problems and desires. Then develop your strategy by putting everything that is known about existing solutions or that can be created - gaining ideas from your employee, your vendors, your business partners and financial assets. If you do a better job in providing your customers with the 'right' solutions, your business and profits will grow. Dedicating your top priority to putting your Customer First is the differentiator between you and the competition.

Importantly, building a lasting relationship with your customers is critical and a very hard work. Are your customers loyal to your business? Do you measure the customer experience? Have you set goals for customer experience improvement?

There are 5 key questions that must be answered:

- AWARENESS - Is the customer aware of your brand and your value propositions?
- CONSIDERATION - Do your customers consider buying at your stores?
- CONVERSION - Did your customers make a purchase at your stores?
- RETURN - Did your customers return to your stores to make another purchase?
- LOYALTY - Will you customers recommend your stores to friends?

Leadership and employees must know their customers and assure that every customer leaves thinking, "Wow, that was great!"

CUSTOMER LOYALTY - WHY?

- A loyal customer base will produce most of the profitability for the company
- Providing a 'thrilling' experience = repeat customers
- Loyalty programs win repeat business with the most profitable customers
- 'Relationship selling' builds trust and confidence why "I" get the best value here

Resistance to change

All businesses must change to continue to grow but doing something differently is hard work. It is never too late to change but successful managers and businesses look into the future and plan changes before it is too late.

Change creates uncertainty. Change creates ambiguity. Change creates fear. Remember, if you are not changing and growing, you are dying.

Leaders, managers, employees working at any level of an organization will need to change if an organizational change effort is to be successful. If you think you can delegate change or hire someone to do it for you, you are wrong. The change process requires first that you know yourself and then change yourself. The learning and changing accomplished and demonstrated by executives and senior management is critical to success.

Elements of successful change:

Understanding - HEAD - Why should I change?

- Do you clearly understand what is not working and why you need to change?
- Do you know what changes need to be made?
- Do you know how the changes need to be implemented?
- Do you understand the role that you need to play to achieve change success?

Believing - HEART - What's in it for me?

- Do you believe that the change is right?
- Can you support the change with your words and actions?

Doing - HANDS - What do I do differently?

- Because you understand it and believe it, do you actually do it?
- Are you the role model for the change?

CONCLUSIONS

- External forces affecting your business today
- Global inflation
- Recessionary pressures
- Energy crisis
- Housing crisis
- Financial markets in chaos
- Increased competition

All of these external forces create urgency for business owners and leaders to develop new strategies to grow their business and increase profits. In order to make sound decisions you must look inside at your own business first. Where are you? How did you get there? What needs to change to turn your business around?

- Develop a short, mid and long term strategy
- Get your organizational structure right - Remove the hierarchy
- Make sure you have the right leaders in place
- Review your standards and SOPs
- Instill a strong selling culture where everyone focuses on the customer
- Training your people is a top priority of all leaders
- Put the customer first
- Embrace change - be the role model