

Mark McNally

THE FAMILY ENTERPRISE



Retailers better know the score

As the final numbers start coming in, early results show that once again it was a tough year for local retailers. Already a handful of clients have either closed up or will close up shop in the months ahead.

Retail has always been a challenge. And it doesn't make any difference whether you're selling autos, books, cards and gifts, furniture, jewelry, musical instruments, or recreational vehicles ... no one has a free ride in the greater Madison area.

There are those who insist that being in a retail business is a 24/7 deal, 52 weeks a year, especially if it's a small operation.

And Madison retail isn't alone in its struggle. It's nationwide.

So, what can be learned from watching this scene? First off, Internet selling is here to stay. Savvy business owners are figuring out how to make money from Internet sales. The larger the price point and the more tangible the product the more likely customers are going to go online.

Trade-ins create a problem. Car dealers, for example, need to be able to calculate a used vehicle allowance sight unseen just as quickly as a cash price only on a new unit sale. This also needs to be done on a no-delay response. Customers are no longer willing to wait for the general manager to walk in and cut the price by another \$50. They demand your best offer without any further haggling or delay.

The emergence of the big box stores or leviathan retail operations is also calling for a market response. In many respects it's actually a return to fundamentals honed in the 1950s. If a retailer is carrying in its inventory product that is available elsewhere, and knowing what we know about big box margins, how can it possibly stay in business? The answer is multifarious.

Competing on the basis of price and price alone can't be done. Customers who are intelligently informed will factor this in. Retailers need to bring service, warranty and maintenance into the sales discussion. And they have to be more than simply passing comments. How about a tour of the service area or back room where the techs are working? If you have sales activity going on in one part of the building and no effort to bring service or parts in on the pur-

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If you're going to promote your service and product support, you need to deliver on your promises. Retailers have a ways to go in being perceived as proactive and helpful rather than just reactive. How about a phone call to let you know of scheduled maintenance that should be done? My dentist does this and I find it a nice and effective personal touch.

Go ahead and steal a page out of their playbook ... who says it can't work for a non-service business such as retail? Oh, wait a minute, retail is not a service business, right?

Retail business owners need to know their products, customers, competition,

and numbers. I read this past week that auto salespeople are intimidated with the new hybrids and are petrified about talking to any kind of engineer/technical customer. They know intuitively that their customers are more informed and knowledgeable than they are and will pounce on any kind of error or inconsistency in their sales presentation. The lack of confidence is obvious and viewed as a measure of product endorsement and will not enhance the likelihood of a sale as you might expect.

Retailers like to think they know who their customers are. But they are sometimes wrong. Often the person paying for the product is not the only party who will use the product. If you don't think children will have input into a buying decision involving the family's new recreational vehicle, you'll have missed a wonderful opportunity. I've also witnessed situations where gender continues to vex the salesperson's approach. Maybe some training is in order.

In retail there is no product sold without the presence of competition. Every retailer I've ever talked to can list their competitors, but when I challenge them to list the differences and distinctions between them and their competition the conversation stops.

Customers know the competition. What they don't know is how everyone stacks up. If there are no distinctions, can you blame them for searching out the lowest price possible? Whether it's your policy on trade-ins/buy-backs, training and lessons, product and activity newsletters, complimentary car washes on any vehicles sold, etc., customers are eager to learn how you see yourself as unique.

The numbers, of course, can't be ignored. Owners need to know their gross and net margins, break-even points, administrative burdens, inventory carrying costs, and personnel expenses to name just a few of the pulse points.

This looks like the stuff of an MBA and in fact it is. However, so many retailers are completely distanced from the financial side of the business. Those that don't attend to the financial metrics of their operation fail to see the trends and developments that threaten their viability.

Retailing has and will always be a jungle. What successful owners have realized is that constant improvement in operations and improved customer satisfaction is key. Without both, the prospects for self preservation are thin. The environment is challenging but certainly not impossible.

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