



Staying Relevant to a Changed Customer



Reinventing Your Business in A Changed Economy



Good News

- The next new economy, the one rising from the ashes of this latest meltdown, will **favor the small**
- “Cloud computing” **will level the playing field** for even the tiniest of companies, they will also be able order globally
- “Involuntary entrepreneurship” is now **creating tens of thousands of small businesses**

Good News (cont.)

- American consumers are **more confident** than at any time in the last three years thanks to **better prospects** for the economy and jobs

Not So Good News

- Gas prices continue to rise, driven by turmoil in the Middle East
- Millions of people are still “upside down” in equity of their homes
- Interest rates will begin to rise slightly
- Commodity prices have also risen

Have YOU Changed?



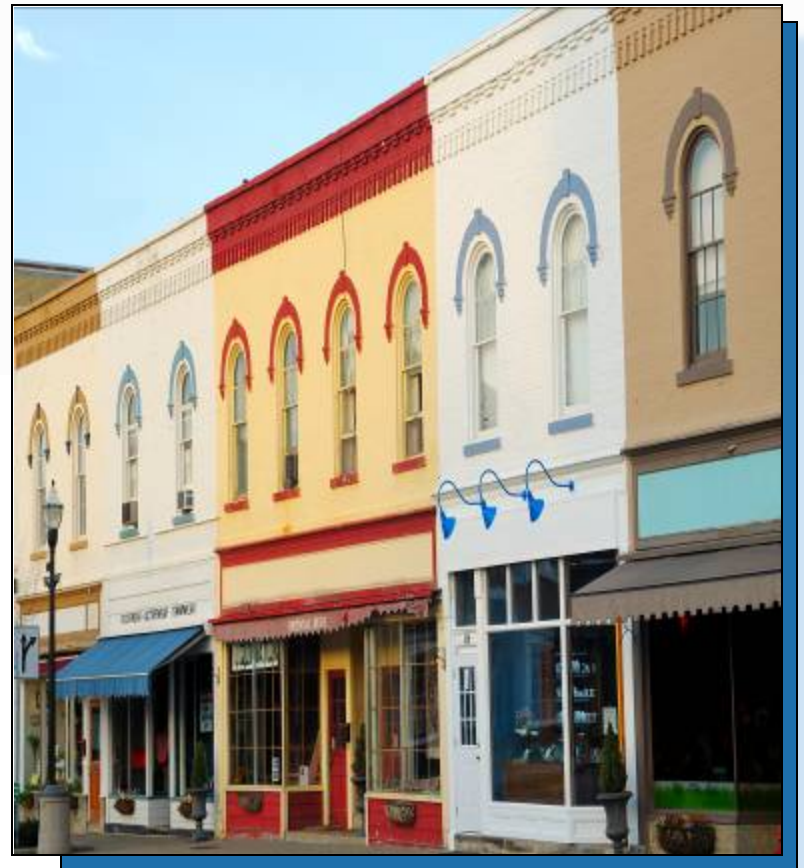
Customer Habits Have Changed

- **Need/Want/Desire is recognized**
- **Undertake a search for information:** Internet, Facebook, Blogs, Testimonials, Consumer Reports, Friend's recommendations
- **Evaluate the Options:** know what benefits are most important to your customers
- **Purchase:** in most cases consumers buy based on their research - that can be altered at the time of purchase by their in-store experience, competitor offers, sales training and feature
- **After-Purchase Evaluation:** help ease the consumer's concerns (buyer's remorse) by encouraging customer follow-up

The New Abnormal

- Frugality fatigue
- Shopping is in our DNA
- 51% of Americans have abandoned the savings plan they put in place in 2008
- February sales were up in most markets

BIG vs small



What's Different About Independent Business?

- Risk
- Capitalization
- Financials
- Record keeping
- Forecasting
- Location
- Lease negotiation
- Permitting
- Licensing
- Costly build out
- Visual merchandising
- Marketing
- Long hours
- Staffing
- Inspections
- Shrinkage
- Loss prevention
- Changing economies
- Changing traffic patterns
- Competition
- Seasonality
- POS
- MIS
- E-commerce
- Can be “Personality” driven!
- Relationship driven/loyal customers
- Maintaining consistency

There are No Secrets!!



The Idea – Your Questions

- *What* is your business?
- *What* need does it fill?
- *Who* is the customer?
- *Why* is it special?
- *Why* is it better than the competition?
- *How* is that communicated?

Elevator Speech

1. *Your name:* _____

2. *Name of business:* _____

3. *State a typical concern that might be encountered by the person(s) to whom you are speaking:*

4. *Explain how your business addresses that concern:*

5. *Say “which means.”*

6. *Offer a benefit the person(s) would receive:*

Notable Slogans

- You are in good hands
- We try harder
- Think Different
- Just Do It
- Reach Out and Touch Someone
- Fly The Friendly Skies
- Don't Leave Home Without It

Two Things Drive Your Decision Making. . .

1. Who is your customer?
2. How does money flow through your business?

Define Your Customer!

- What gender is my customer?
- How old is my customer?
- A family/couple/individual?
- What is their income?
- Where do they live?
- Do they own or rent?
- How do they travel?

Define Your Customer (cont.)

- How many travel past my location? When? How often? How?
- What do they do? Where do they work?
- What do they read?
- What do they listen to or watch?
- Where else do they go?
- What other businesses do they visit?

TRADER JOE'S

YOUR NEIGHBORHOOD
GROCERY STORE

HOME

TRADER WHO?

PRODUCTS

LOCATIONS

FAQS

RADIO/FLYER

JOBS

CONTACT US

Aloha!

WELCOME TO TRADER JOE'S,

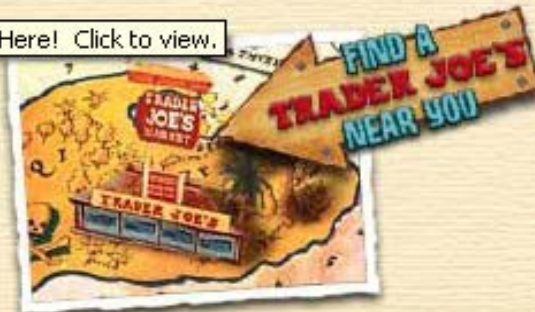
your neighborhood grocery store. A quick trip through our island paradise - um, website - will tell you a little bit about who we are, how we do business and, most importantly, [where to find the Trader Joe's](#) in your neighborhood. 'Cause that's where the value, adventure and tasty treasures are discovered, every day. Thanks for stopping by.



Gourmet Flakes & Chocolates

Crunchy flakes of wholesome grains (with added inulin for even healthier digestion) are complemented by delicate twists of semi-sweet chocolate to create this sincerely delightful cereal. Each 15 oz. box is **\$3.29**. Simply lovely.

Fearless Flyer Is Here! Click to view.



What exactly does Joe know? Curious, are you? Just click on my nose to...



SIGN UP FOR OUR
E-NEWSLETTER,
TODAY!

Customer Definition?

An unemployed college professor who drives an old Volvo.

Estimated sales of \$1300/sf = twice industry average

The Customer's Questions

- *Why?* Is the price different?
- *Why?* Is the product/service different?
- *Why?* Is the experience different?
- *Why?* Are needs/wants met in a different way?

Where Do Your Customers Fall?

- **Slam-on-the-Brakes:** eliminate, postpone, decrease, or substitute
- **Pained-but-Patient:** short-term economization, but resilient and optimistic long-term
- **Comfortably well-off:** top 5%, or secure; more selective and less conspicuous
- **Live-for-Today:** more stable spending; not savings conscious; younger, experience driven

Where Do Your *products/services* Fall?

- **Essentials:** Necessary for survival and well-being
- **Treats:** Justifiable indulgences
- **Postponables:** Wanted or needed, but reasonable to put off
- **Expendables:** *Gone!!*

Risk of Sales Downturn

Low

High

	Essential	Treats	Postponables	Expendables	
Slam-on-the-Brakes	Will seek lower-cost product and brand substitutions such as private labels	Will deeply reduce or eliminate treats or seek lower cost substitutes	Will put off all durable purchases unless forced to make emergency replacements; will delay repairs and personal services, such as dental cleanings	Will eliminate purchases in this category	High
Pained-but-Patient	Will seek out favorite brands at lower prices but settle for cheaper, less preferred alternatives; will stock up on good deals	Will cut back somewhat on frequency and quantity and emphasize value	Will delay major purchases, repair rather than replace, seek value and low ownership costs rather than extra features, and negotiate at point of sales	Will deeply curtail expendables	Behavior Change
Comfortable Well-Off	Will continue to buy favorite brands at prerecession levels	Will be more selective in purchasing luxuries	Will seek better quality for the price; will negotiate harder at point of sale	Rarely regards any purchases as unjustifiable but may reduce the most conspicuous consumption in this category	
Live-for-Today	Will continue to buy favorite brands at prerecession levels	Will continue to buy favorite brands at prerecession levels	May buy if there is a great deal; otherwise may postpone	Is reluctant to regard any customary purchase as unjustifiable; may not want to expand consumption to new types of purchases	

Differentiate the Business

- It is the only . . .
- It is the first . . .
- It is the best . . .
- It's got the best selection . . .
- It is the coolest, hippest . . .
- It's people are the best . . .
- It's the most convenient . . .
- It's always got new offerings of . . .
- It offers the best value . . .

Retail Trends

- Customer Service rules!
- People want to buy from people they trust
- Buy, act, stay and be local
- Stores must be so good that the customer can't help but tell their friends and neighbors about it
- Have core values and create a culture
- Be passionate and determined

Retail Trends (cont.)

- Create fun, be creative and add a little weirdness
- Because of the Internet and the transfer of control to the customer, your **BRAND** is what you do, how you treat your customers and how you do business
- In a few words or less, how would your employees describe the culture in your store?

Have Clean/Current Financials!

- Gross Volume
- Maintained Margin
- Operating Expenses
- Operating Profit (EBITDA)



Retail Math

- Volume \$
- Maintained margin %
- Break even (fixed expenses)
- Average ticket
- Inventory investment: Stock to Sales Turn
OTB By Dept
- Shrinkage
- Profitability

Profit is an Opinion. . .

Cash is a FACT

- Reconcile bank accounts
- Personally disburse all cash
- Emphasize drawer close out
- Bank deposits everyday
- Collect accounts receivable
 - Bill ASAP
 - Keep terms short
 - Call everyone – don't wait
 - Approaching 90 days = collection?
 - Pick up large checks

Talk to Lenders . . .

- Know your numbers/cash flow
- Renegotiate existing debt
- Forbearance
- Interest only payments
- Payment schedules
- Debt consolidation/refinance from lenders

Talk to Your Landlord . . .

- Negotiate
- Payment schedule if in arrears (know cash flow)
- Rent adjustment
 - Forgiveness
 - Renegotiation/escalation over life of lease

Talk to Your Vendors . . .

- Cancellations?
- Take backs?
- Charge backs current?
- Better pricing?
- Lower minimum orders?
- Special stock holding/lead times?
- Extended terms? (know your cash flow)
- Who to pay first; who to string out?

Past Due Taxes

- Contact agencies immediately
- Answer letters promptly
- Complete cash flow projection before agreeing to any deals

It is all about image!



Imagine your store as a stage
the products are the “Stars”





Signage

- Each town has different rules
- There is an absolute need for guidelines, to stay within the tradition and culture of your town
- <http://property.naiisaac.com/flash/The%20Lex%20Sign%20Guidelines.pdf>

Putting It Together

- Look at other windows and store displays for inspiration
- Be on the lookout for props at flea markets, antique shows and yard sales
- Use two colors, with a third as an accent
- Use many units of the same item in rows or groupings
- Create small groupings at different levels
- Use “pyramid” formations
- Use props that connect with the theme of your product line and the image you are trying to create





Merchandising Standards

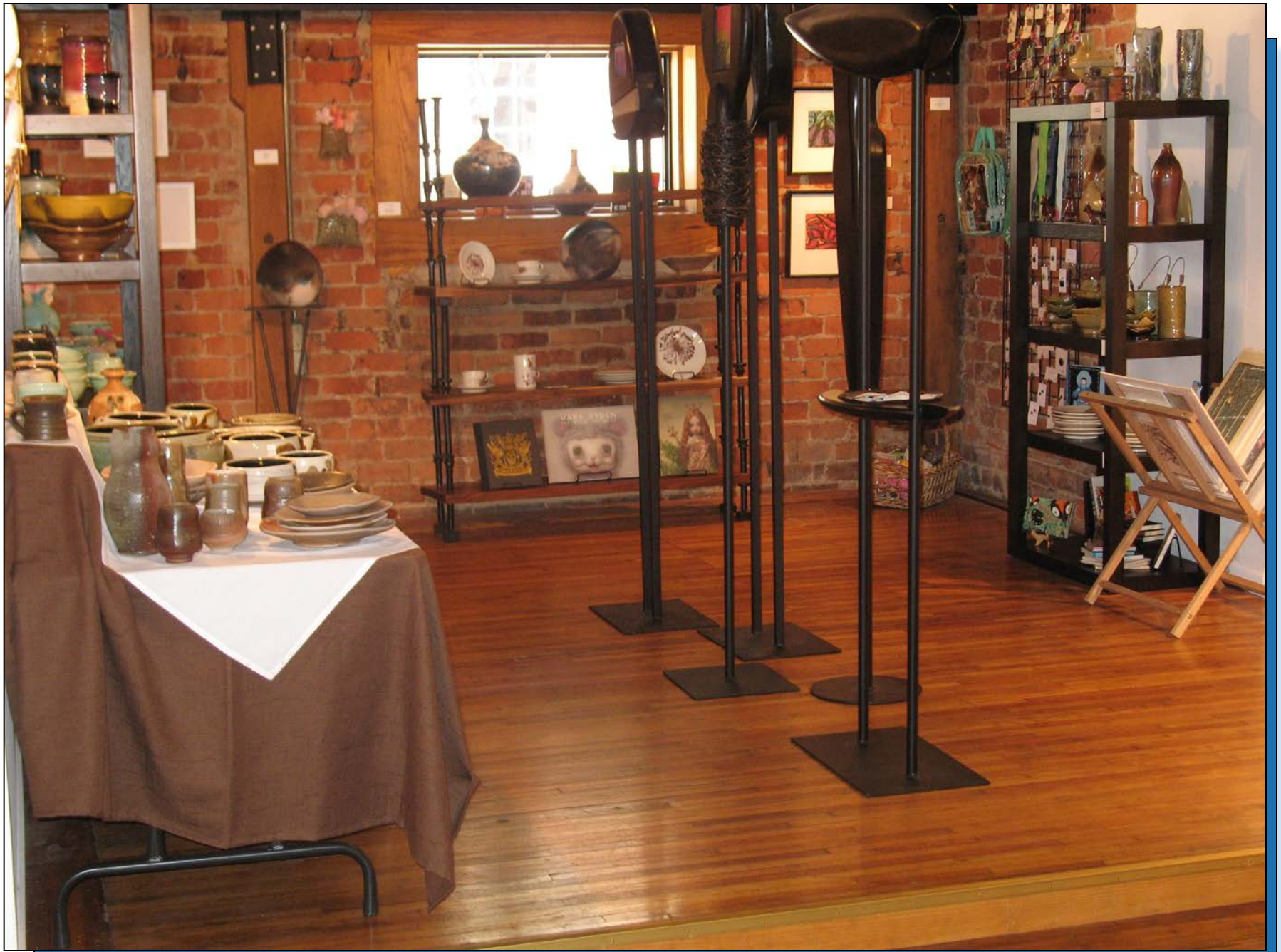
- No merchandise in the decompression zone
- Use the prime real estate for your best selling, highest margin product
- No one shops below 12 inches
- “Sweet spot” is from your belt buckle to 6 inches above your head
- Use large products toward the back of the store

Merchandising Standards

- Use your “spot lights” to highlight product
- Use your cash wrap for “add-on” products and impulse products
- T-shirts should be folded with a folding board
- Clean, straighten, and replenish all day long
- **“Activity breeds activity!”**

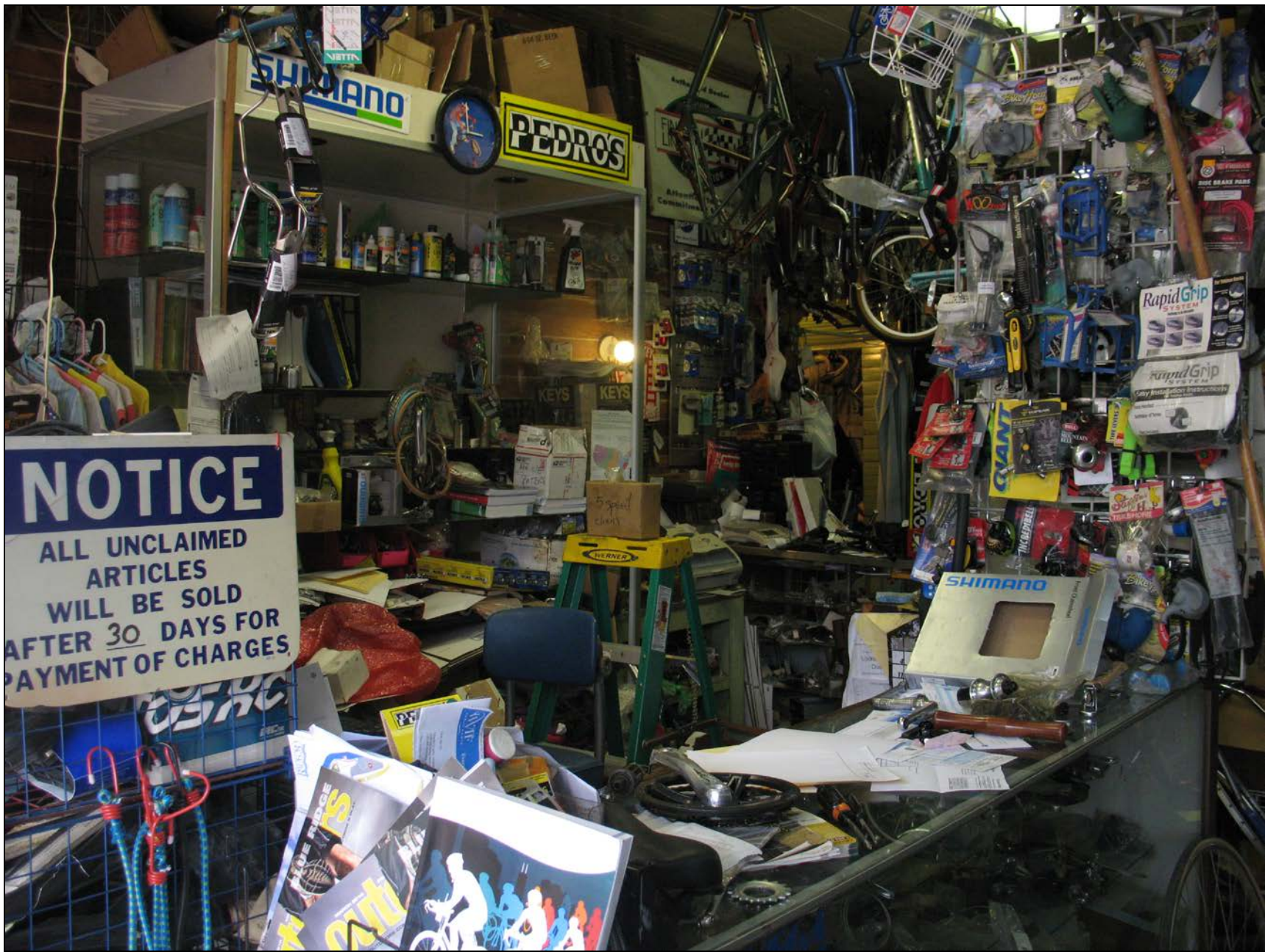






Common Display Mistakes

- Too much merchandise
- Too little merchandise
- Lack of underlying theme
- Too many props
- Poorly selected props
- Displays changed too seldom
- Limited or no display budget
- Lack of attention to detail
- Mistakes in applying the principles of display



NOTICE
ALL UNCLAIMED
ARTICLES
WILL BE SOLD
AFTER 30 DAYS FOR
PAYMENT OF CHARGES

SHIMANO

PEDROS

KEYS

KEYS

5 Speed
chain

WERNER

SHIMANO

RapidGrip
SYSTEM

RapidGrip
SYSTEM

GIANT

TICKETMASTER

GIANT

GIANT

BIKE REPAIR
HOW TO
FIX IT

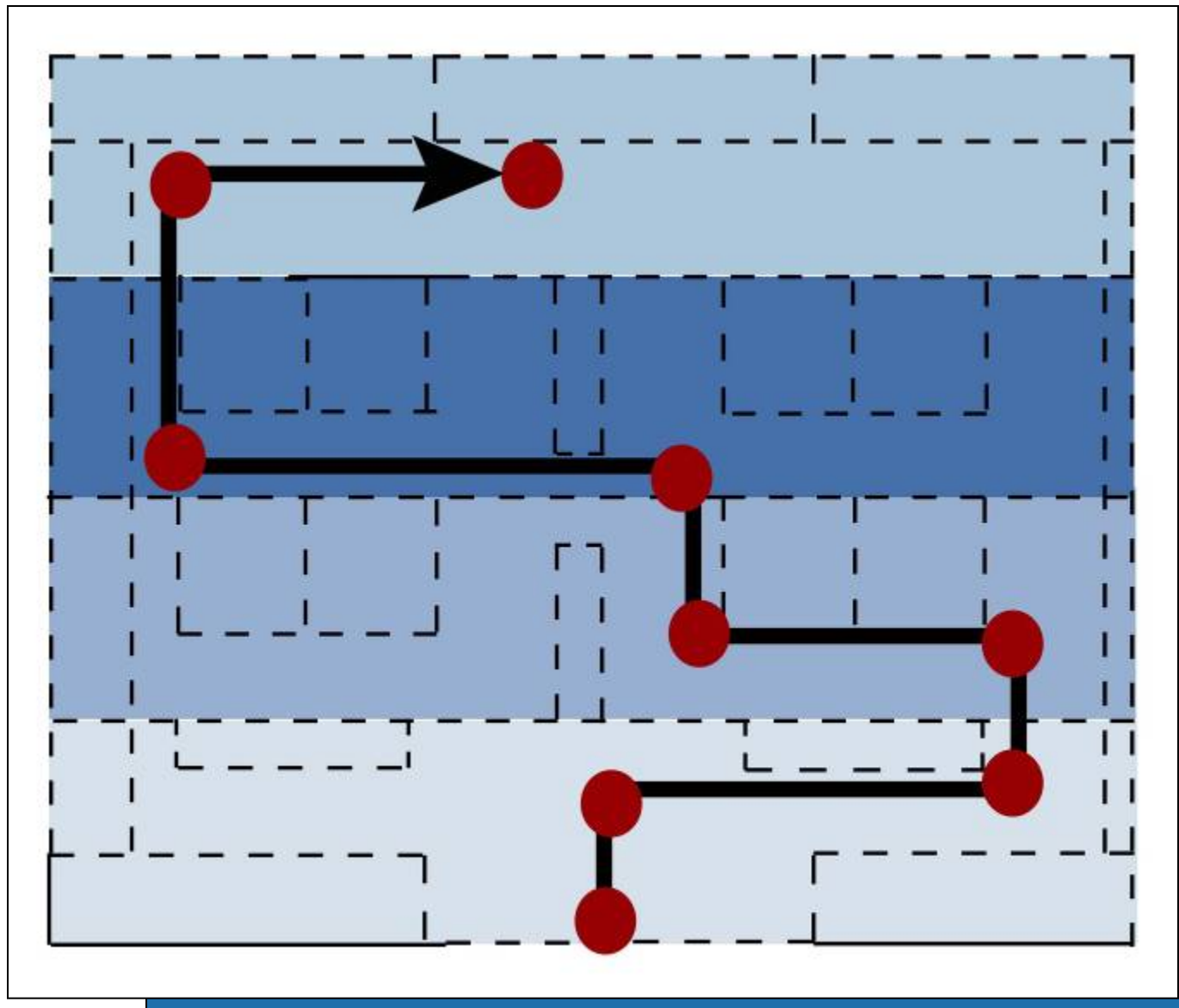
BIKE REPAIR
HOW TO
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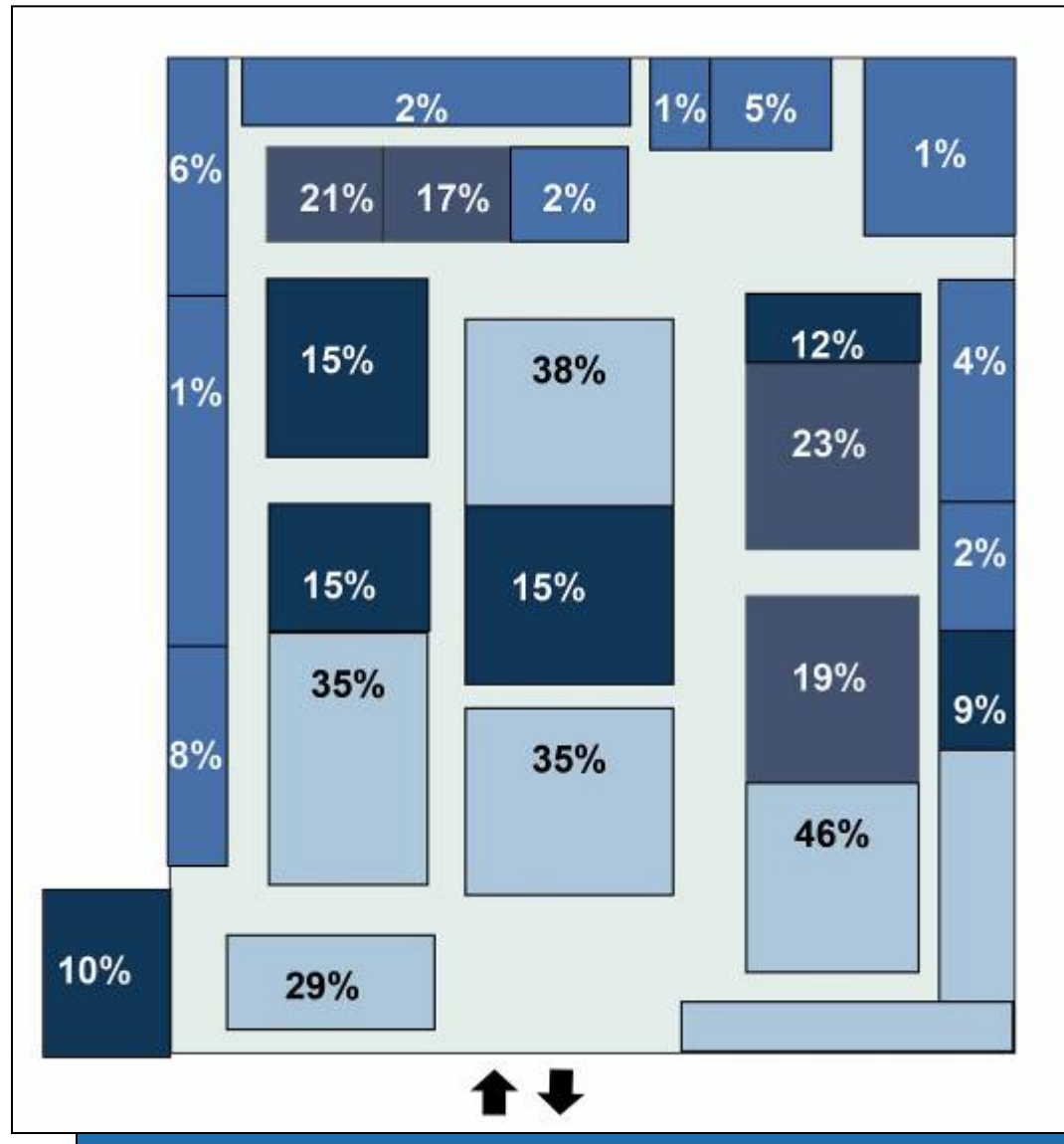




Store Traffic Patterns



Hot Spots - % Who Shop Each Section







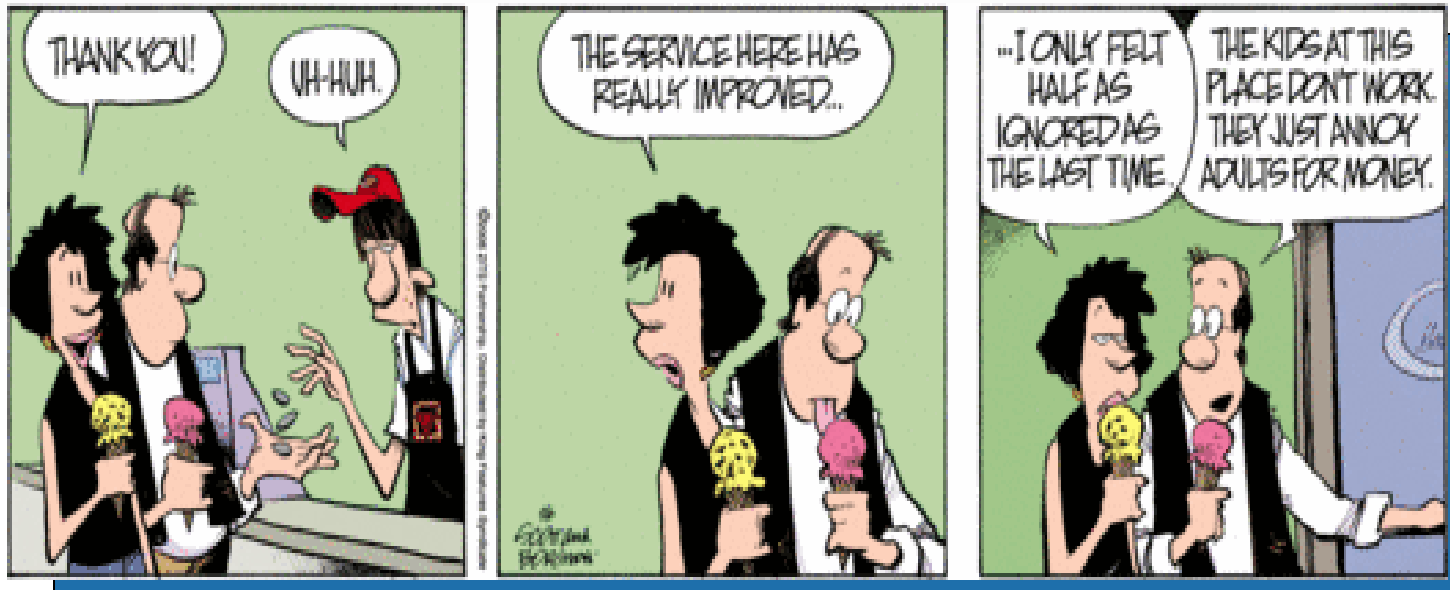


Experience :: Service :: Sales

In one Main Street store, an owner determined that sales were quadrupled any time of the week that she was on the floor as opposed to when her sales staff was on the floor.

What do you think is happening?

Zits by Jerry Scott and Jim Borgman. The Washington Post 9/6/06



Why People Switch

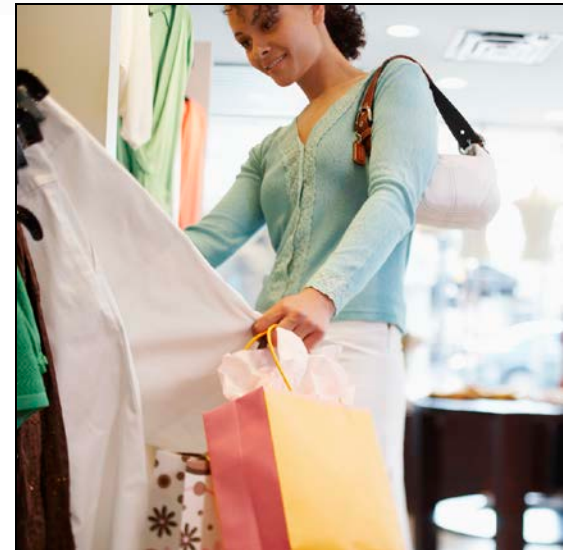
Reason	Percentage
Better Product	15%
Cheaper Product	15%
Lack of Attention	20%
Rude, Unreliable Service	45%
Other	5%

Set Standards and Train

- Product knowledge
- Selling knowledge
- Transaction/process knowledge
- Appropriateness
- Etiquette
- Phone manners
- Memorable closing and salutation

Engage the Customer

- Be in the front 1/3 of the store
- Eye contact and a smile
- Greet with a warm welcome
- Re-approach
- Open-ended question



Successful Retail Salespeople

- Relate to people easily
- Let the customer talk most of the time (preferably 80% of the time)
- Realize 90% of communication is non-verbal
- Can recognize and relate to objections and do not get defensive

Successful Retail Salespeople

- Use closed questions to narrow down the conversation
- Focus on very specific information
- Ask a non-question such as:

“It will help me to know your gift recipient better if you can tell me where they will be using this product.”

Your People = Human Resources

- Set Standards: Position description
Policy & procedure
- Recruit
- Train
- Compensate for performance
- Observe behavior
- Apply consequences: Redirect
Reaffirm
Reprimand

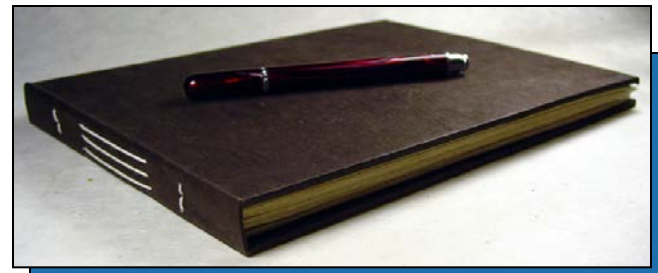
The Key = All staff must be treated the same!

Customer Retention – The First Line of Defense!!

- Voluntary information capture
- E-mail information
- Direct mail promotion
- Newsletter
- Co-promotions w/other businesses
- Thank you notes
- Appointment shopping/special order

Capture Customer Information

- Have a guest book that has a field for their address and email address
- Invite them to receive notices for sales, promotions, special events
- Invite them to receive your monthly newsletter



www.constantcontact.com

- **Step one:** Build your list
- **Step two:** Convert leads to customers
- **Step three:** Keep customers returning

<http://img.constantcontact.com/mktg/sales/asbdc/workbook.pdf>

Customers are Gold

It takes 10 times more money to find a new customer than it takes to retain a current customer!



Keep Customers Coming Back

- Reward customers who enroll in your program immediately with bonus points or extra discounts
- Use your loyalty program to drive purchases during slow seasons
- Encourage high and frequent spending when you offer rewards for purchases that exceed certain dollar amounts

Your Community, Your Money

- Local multiplier effect
- Every dollar spent with an independent, locally-owned store, **69%** stays local
- Spending locally enriches the community
- Choose a cause
- Market to a **20 mile** radius of your town
- **Communities thrive with the active participation of the people, organizations and businesses in them!**

Educate the locals to:

- Value the downtown
- Keep dollars in the community
- Know what it takes to run a business in the downtown
- Support businesses and services
- Realize parking is accessible

The Web Affects Purchase Decisions

- 81% of Internet users have used it to do research about a product they are thinking about buying
- 20% do this type of product research on a **daily basis**
- 79% of Internet users expect that a business will have a Web site that gives them information about a product they are considering buying
- If a store provides product information online, even if it doesn't sell products at its Web site, nearly half of all Americans (46%) said this would **make them more likely to go to the physical store to buy the product**

Social Media Influences Decisions

- **91%** say consumer reviews are the **#1 aid to buying** decisions
- **87%** trust a friend's recommendation over critic's review
- Online social network users were **3** times more likely to **trust their peer's opinions over advertising** when making purchase decisions
- **1 word of mouth** advertising has the **impact of 200 TV ads**
- **26%** of search results link to user-generated content



People are Using Social Media

- 73% of active online users have read a blog
- 57% have joined a social network
- 83% have watched video clips
- 57% of Internet users are members of a social network
- 93% of people using social media believe a company should have a presence in social media
- 85% believe a company should go further than just having a presence and should also interact with its consumers via social media



Retail Promotions

- Individual merchants
- Groups of merchants
- The entire merchant community
- Sense of Urgency vs “Institutional”

Cross-Promotion Activities

- Retailers/Restaurants seek out nearby Restaurants/Retailers and exchange promotional materials or coupons.
- Back to school.
- Group “visit” or “frequent buyer” cards. “Combo cards.”
- Scripting the visit.
- Anyone who shares the same customer definition is a possible co-promoter.
- What do you get when you cross a ____ with a ____?
 - Art gallery Restaurant
 - Laundromat Book Store
 - House and garden tour Bicycle Shop
 - Running Club Brew pub
 - Easter Egg Hunt Sidewalk Sale

The Biggest Hurdles!

- Disengaged property owners
- Uninvolved businesses
- Vacant storefronts
- Economic restructuring for the right “mix”
- Lack of residential space
- Different rates of “evolution”
- Servicing locals and visitors
- Traffic flow / parking

Retail & Restaurant Checkups!

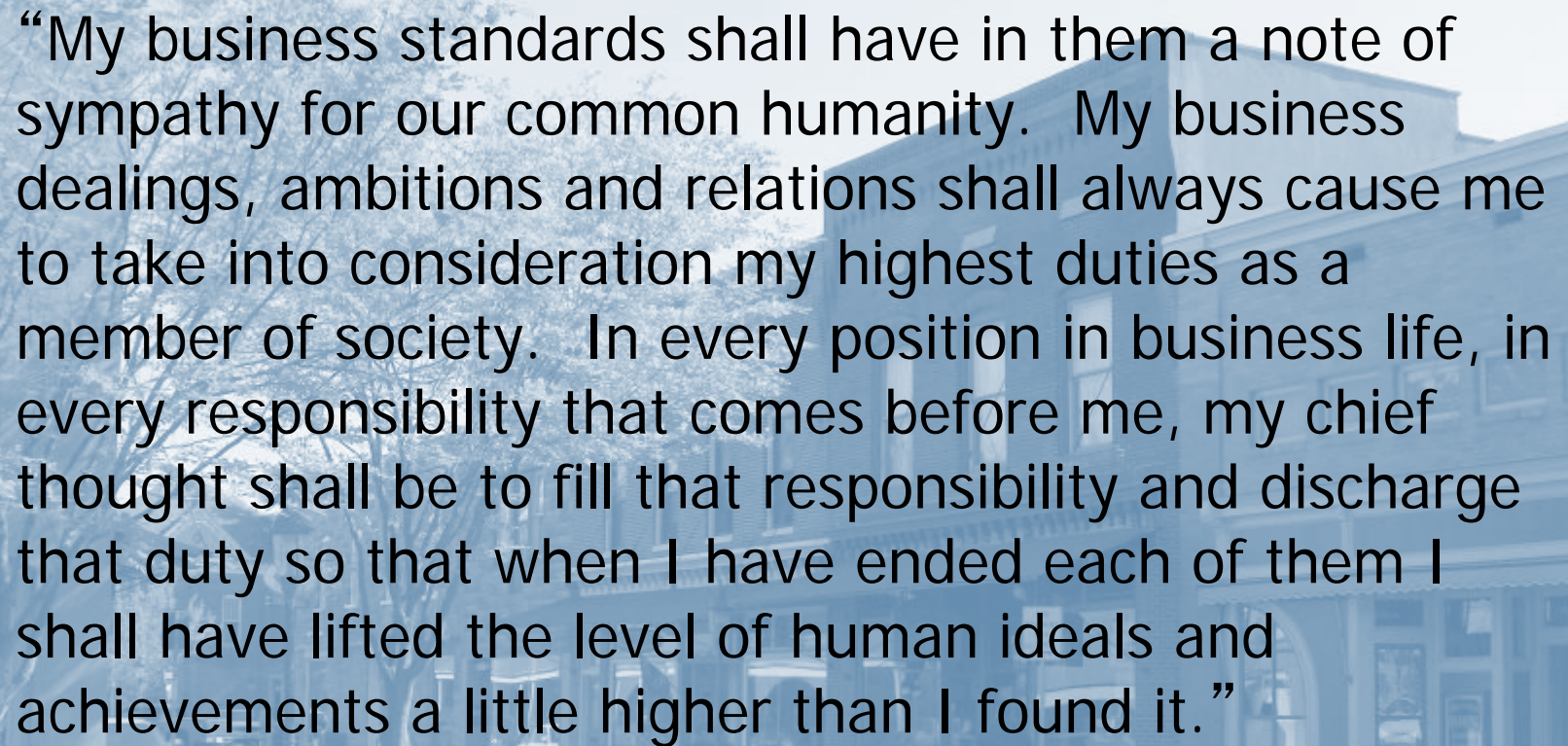
www.virginiasbdc.org

- Statewide services
- Retail/Restaurant
- Checkups

In-Store Consultations







“My business standards shall have in them a note of sympathy for our common humanity. My business dealings, ambitions and relations shall always cause me to take into consideration my highest duties as a member of society. In every position in business life, in every responsibility that comes before me, my chief thought shall be to fill that responsibility and discharge that duty so that when I have ended each of them I shall have lifted the level of human ideals and achievements a little higher than I found it.”

Written in 1867 by General Lester S. Willson, Purveyor,
Bozeman, Montana

Thank you for joining me today!

- www.vasbdc.org
- Marc Willson, Retail and Restaurant Industry Consultant
- marc@virginiasbdc.org
- Call your local SBDC counselor for help
- SBDC services are at no cost and completely confidential

Resources

- www.digitalfacades.com
- www.clownbike.com
- www.envirosell.com
- www.virtualrestaurant.com
- www.summit-strategies.com