

OBSTACLES TO SUCCESSFUL RETAILING

--

AND SOME SUGGESTIONS FOR SOURCES OF INFORMATION

Problems in retailing usually start out as small irritations and then they grow and grow and grow until they become major crises. When caught early enough, remedial action is usually relatively simple and painless. When allowed to grow, they can potentially become terminal and lead to the death of the business. Problems give off very definitive danger signals, and the small retailer who is aware of these signals can take remedial action. The purpose of this pamphlet is to acquaint you with many of the common signals and give you a chance to react in a positive manner. It's not only good management, it's smart business.

The customer is the heart of any business and like the heart the customer produces warning signals. If you answer **yes** to any of these questions, your customers are trying to tell you something.

1. Do many customers walk out without buying anything?
2. Are many of your old customers missing?
3. Do customers return more merchandise than seems reasonable?
4. Are sales down this month over the same month last year?
5. Are sales for the year to date lower than the same figures for last year?

If you answer **no** to any of these questions your customers are definitely telling you something.

1. Do customers buy additional or higher priced merchandise?
2. Is on-floor selling an easy task?
3. Does your store seem crowded at peak shopping times?
4. Do you go out of your way to invite customers to browse, shop and feel comfortable in your store?

Your employees can be working against you and driving your customers away. If you answer **yes** to any of these statements you have some hard decisions to make with regards to your employees.

1. Employees are slow to greet customers.
2. Customers are forced to wait for long periods of time when the store is busy.
3. Customers wait unnecessarily when the store is not busy.
4. Employees lack enthusiasm for their job.
5. Salespeople lack definitive product knowledge.
6. You have a high turnover ratio for employees.
7. Mistakes are frequent and costly.
8. Employees are NOT dressed properly.
9. There is a high incidence of employee absence.

Net profits are a key to customer dissatisfaction. If you answer **no** to any of these questions, you have problems in the areas of buying and selling.

1. Are prices in line with your competitors?
2. Are slow moving items placed on sale quickly?
3. Do you have sufficient dollars to spend on new, fast moving inventory?
4. Do you reorder early enough and in sufficient quantities to maintain inventory?
5. Do you take your cash discounts on all your purchases?
6. Is seasonal inventory reduced to eliminate large stock carryovers?
7. Are you a member of your trade association?
8. Are you a member of your local business association or Chamber of Commerce?
9. Do you take refresher courses in buying and selling techniques?

Store records tell a lot about any business and they help owners manage effectively. If you answer **yes** to these questions, managerial changes are in order.

1. Do you co-mingle your personal funds with business receipts?
2. Do you have trouble paying your bills on time?
3. Do you have problems meeting your payroll and your taxes?
4. Are credit customers behind in their accounts?
5. Does your stock turnover slowly?
6. Is your gross profit less than average for the merchandise?
7. Has the net worth of the business decreased over a period of time?

Your business has financial problems if you answer **no** to these questions consistently.

1. Do you have a substantial amount of cash left in the checkbook at the end of the month?
2. Do you make your loan payments on time?
3. Do you pay your bills on time and avoid interest penalties?
4. Has your bank balance increased over a period of several months in a row?
5. Do you take a salary that is justified by store sales?
6. Is your banker eager to lend you money?

Window displays are your invitation to your customers to come in and shop. A **no** answer to these questions means you're not extending a cordial invitation to come in and spend money.

1. Are your window displays fresh, clean, bright and exciting?
2. Do you plan your window displays?
3. Are the displays coordinated with the merchandise in the store?
4. Are the display items at eye level or slightly below?

Inside merchandising is what accounts for inventory rollover. A **yes** answer to these questions indicate potential in-store sales problems.

1. Are shelves and display units dusty?
2. Are your display areas empty of merchandise?
3. Are your most profitable and fastest turning items on the left side or in the rear of the store?
4. Is the cash register located on the right side of the store?
5. Does some of the stock look shopworn?
6. Does the store have a rundown or shoddy look?
7. Is merchandise damaged because of crowded aisle conditions?
8. Are your signs handlettered and cheap looking?

These are the major danger signals that any intelligent businessman can spot. The next step is to ask for help. It may be in the form of a SCORE counselor, a professional business consultant, an accountant or a member of the Southwest Minnesota Consortium Technical Assistance Center. The Brookings Chamber may be able to help put you in contact with someone who can help.

This pamphlet was produced by the Technical Assistance Center at Southwest State University. The Center is funded by a grant from the Economic Development Administration, US Department of Commerce, to assist business and industry in job creation and job stabilization in the 18 counties comprising development districts 8, 6W and 6E in Southwest Minnesota.

*Reprinted by the 2003 Small Business Development Committee
Brookings Area Chamber of Commerce and Convention Bureau*