

RETAILING: Big Store, Little Store



By Warren Tyler

A retail salesman wrote to me asking what he was really worth. The devil was in the details. He wrote \$560,000 in annual volume at about a 33% gross margin for a store with total sales of 1.2 million dollars. This inspired me to write on a subject which has been featured in this column before. Most little stores do all the same things wrong while most large stores do all the same things right. Don't rationalize this issue. Customers vote with their pocketbooks--the more votes, the higher the volume. There are exceptions in every case, but if you rely on exceptions, you'll lose.

This dealer was an almost exactly average dealer in sales and margin, while the salesperson was far above the \$350,000 annual volume of the average flooring salesperson. The two don't mix. Because of the performance of the store, the owner really couldn't afford to pay the man his worth. This is why a majority of high volume salespeople work for larger stores. Here's the list of what larger more successful stores do that smaller less successful store don't. Now please, if you have found a way to make \$300,000 a year on a million dollars of volume, don't contact me. You are the exceptions and I know you're out there. I just wish everyone could do what you do.

1. Big stores open every night. Small stores don't. If you're lazy, close during the day. America is at work during the day--unfortunate, but true.
2. Big stores open Saturdays, Small stores don't. They close at noon. Business doesn't start until 2: 07pm on Saturday. Big stores know this because of sales patterning.
3. Big stores don't share prices with salespeople. Small stores do. Knowing prices destroys salespeople.
4. Big stores don't use Yellow Pages. Small stores do. They know that diverting these dollars to other advertising venues will offer 3-7 times the return.
5. Big stores know that there are 10-12 proven consumer buying periods and adjust their advertising budget to coincide with these periods. Small stores don't understand the concept.
6. Big stores know there are weeks where people aren't buying, so they don't waste their advertising. Again small stores don't know these periods.
7. Big stores measure every retail activity. Small stores don't. In the words of "Big Bob," "If it can't be measured, it can't be managed."

8. Big stores use salespeople for selling, nothing else and don't let them order material. Small stores have salespeople doing everything.
9. Big stores teach their people to sell, "first time in." Small stores don't know how so they believe it's pushy! Why waste her time?
10. Big stores inspect and measure materials as they are received. Incredibly, small stores never have the time.
11. Big stores let the exact amount of materials and sundries out to the job. Small stores don't.
12. Big stores don't have receivables. They sell them to a bank or finance company and have many sources of credit. Small stores have receivables. Big stores know that store charges are a sales tool not a convenience.
13. Big stores merchandise well, placing winners on the floor with lots of POP materials and keep a neat showroom with everything clearly priced. Small stores don't
14. Big stores have regular training programs for their staff. Small stores don't.
15. Big stores plan their advertising up to a year in advance, buying to meet promotional needs as well as for fashion. Small stores buy promiscuously.
16. The late Stanley Marcus stated, "The bigger the selection and the lower the prices, the lower the sales." conversely, "The more limited the selection, the higher the prices, the higher the sales." It's not how much you display, it's how well you display that counts. Large professional retailers generally understand this. Small retailers don't. The average small dealer works on a 30-32% gross margin. High volume stores work on a 40-50% margin. Consumer surveys continually prove she doesn't buy at the other store because of better selection or lower price. She buys because she likes the other salesperson better.

This list could go on and on, but this is enough to get the idea. The book, "Warren Tyler on Retail," expands upon these and other elements of successful retailing and is a must for dealers. I am not aware of any other book where this information is available.