

13 Ways To Survive In Very Dry Times

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In times like these, retailers need to hone cash management skills, buy smarter and sell better.

Sales Management Magic by Joe Capillo

As I write this, the US Congress has just passed a financial rescue plan. What the affect of these measures will have on the current economic situation can't be known. Nevertheless, here is some advice relative to the current situation for retailers and salespeople: change what you're doing!

Any advice given in this political and economic environment has to be qualified with a disclaimer that everything might change in a heartbeat and be rendered useless by factors no one can predict. Anyway, here we go.

1. Here's the first piece of advice. If your business is even with last year or ahead of last year, you're doing great. If you have no dead inventory or slow moving inventory and have lots of cash on hand, don't change a thing. If your customer traffic is even with last year or up from last year, keep doing what you're doing.

If your business is not even or ahead of last year, here are twelve things you should consider doing:

2. Convert your dead inventory to cash as soon as you can. If you're not holding any dead inventory, you're among a very small number of very smart retailers. If you're thinking about having a special sale event to raise cash, do it now. Fall and winter are good times to be doing this while potential customers in most parts of the country are forced to stay inside their homes with all those things they don't like and want to change.

3. Make every effort to stay close to your suppliers and keep current with them. The credit crunch will cause you a lot of pain if you're considered to be a high-risk debtor in a high-risk industry. The old idea that cash is king is more true now than ever.

4. Carefully analyze the productivity of your product lineup. If your computer system performs analysis of GMROI, use it to the max. If you are not using this portion of your system, then seek immediate help from your system's support group to begin right now. Don't use a high-powered system for just accounting and tracking inventory, use all the power you have to analyze your inventory daily.

5. Cut your lineup back to the optimum number of groups you must show based

on your GMROI and not just on rates-of-sale. Let GMROI determine what stays and what goes. GMROI under \$2.75 in this business environment should make the items or groups suspect.

6. Review your vendors for those who have domestic warehousing programs from which you can get quick delivery – not longer than 4 weeks. Be skeptical of vendor offers to buy large quantities (containers) direct from overseas sources at specious discounts. You need cash flow more than discounts and, unless you're cash-rich, nothing will do you more harm than sinking your cash into inventory you have to hold. If you're buying on a credit line, you're going to find this more and more difficult to do anyway. This is not the time to build debt.

7. If your business model allows, work with special order upholstery vendors with the shortest turn-around times. This gives you flexibility with little inventory investment. If you have to stock upholstery, don't order anything outside your top-selling 10% of items. You cannot afford the luxury of broad in-stock inventory in such an uncertain market.

8. In sales, run your selling floor as you would for a cash-raising sale event. Management must be on the selling floor at all times. Do not bury your sales managers in administrative detail around order processing or sales office functions. You'd be smarter to hire clericals to do that work, or to rearrange your current staff to provide 100% support to sales managers. Change the way you think about and organize sales management. Start doing the right things instead of being so concerned about doing things right.

9. If you have a selling system that is supposed to be used by every salesperson, then make sure your people are doing it and your managers oversee it every day, all day. Your close ratio has to be right around 30% - legitimately calculated on actual total traffic. That means you count every customer every time they come in. Don't kid yourself about what your real close ratio is.

10. No matter what the core idea in your selling system is, whether low price - fast turn, or high service, if your salespeople deal with the idea of "the room", you will sell more things to more people. They don't have to sell "rooms", they just have to deal with the idea of the room because no matter what your price or "deal" is, if your customer can't see the things as being her answer to the room, she will not buy.

11. If your salespeople are accountable for entering their own sales into your computer system, consider stopping this and making it a sales support function. You'll gain more control and free up your salespeople to do more customer-related work like getting one-time shoppers back into your store.

12. When you meet a customer for the first time in a traditional furniture store setting, you have a maximum 15% chance of making the sale today. If she returns a second time, you have a 70% chance. Your salespeople and managers

should be working together to do the right things the first time and to get those customers back. It should be your sales department's top priority. Track your traffic by salesperson and in total and check this for yourself.

13. Price increases are a big issue now because of the devaluation of the dollar and the increased cost of shipping. Keep your margins higher than usual because everyone today is looking for "the deal". The actual price they pay isn't as important as "the deal" they get. Unless you can cut your costs dramatically, you have to be priced to maintain your gross margin dollars at bigger-then-usual discounts. Be aggressively proactive in pricing and discounting – like a GOB company will do, or you'll be letting them do it for you.

Joe Capillo is a furniture industry veteran with 35 years combined experience as a retail consultant and retail industry executive. He is a contributing editor to FURNITURE WORLD and a frequent speaker at industry functions. Joe makes himself available for private consultations on any aspect of retail sales management and sales education. He can be reached at joecapillo@furninfo.com. See all of Joe's articles on the information packed FURNITURE WORLD website [furninfo.com](http://www.furninfo.com).

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