



## **Survival of Independent Retailers = Survival of the Fittest**

*David McMahon, Senior Consultant*

The first big threat to the survival of independent retailers is growing competition. Independents fight to hang on in a sector of the economy that has become dominated by chain stores and mass merchants. Our shopping malls consist of name brand stores that expand like wildfires lit from Wall Street's lust for growth. At the same time, mass merchandisers like Wal-Mart, Target, and Best Buy receive a huge portion of consumer spending by offering great value to the average person. They have the biggest selection, the lowest prices, and the easiest return policies. The home improvement industry is dominated by the Home Depot's, Lowe's, and an association of independent stores who branded together - Ace. Also, manufacturers fight amongst themselves by expanding their network reach as long and as wide as possible. They are taking more market share from the independents every day in their quest for vertical integration and maximum distribution. From clothing to athletic equipment to home furnishings, manufacturers continue to encroach on the entrepreneurs who used to be their partners.

However challenging, this consolidation and branding is a natural business phenomenon and it will continue to occur. When one of these nationally branded operations specializing in the same category of retail as an independent enters a region, the independent suffers. These branded stores are well run, efficient, get good prices, train people to be effective, and are financially aware. Some independents will go out of business, while others will survive and prosper. Those who see them coming and do nothing will die. Their plan is usually – let's see what happens and compete by advertising more. When business gets tough, they blame the economy. Those that outlast the onslaught and prosper are the ones who are committed to running a professional shop.

Acceptance of this can help avoid the next big threat to independents – themselves. They are usually family run and live or die on family talent and how they treat, coach, and compensate their employees. They need to perform above the level of their competition. To do this, they need to train – train – train. "Great success comes from great coaching." Independents typically have no proper financial budget. A simple test of whether a proper budget is in place is to ask the budget maker, "What is our current and projected GMROI and Inventory to Sales, and how do we plan on improving?" and "What do other operations do?" If the answer is not immediate, that's a failure.

Businesses don't plan to fail, but most businesses who fail, did not properly plan. Planning starts with a proper and responsible budget. The best competitors plan properly; trust me, I do this for them. Independent retailers do prosper and can succeed in the future! Here are some opportunities:

The best thing a company can do is to get professional training for their people where and when it is needed. People make money, nothing else. If you are a business owner, get proper coaching for your people and you can prosper together.



---

Winners do not exploit human talent. Seek to help your people to become better than your competition in areas of financial responsibility, customer service, inventory management, sales management, and distribution.

An equally great opportunity is to establish a proper budget and project for future prosperity. A budget is not a schedule that limits expenses. A real budget is a plan born from establishing realistic targets and it defines strategies from all department managers. Teamwork is key as departments experience interdependency. For example, sales and cash flow can be affected by all departments – sales, delivery, customer service, warehousing, purchasing, merchandising, inventory management, and accounting. A true budget defines how these departments will work together and what metrics they need to achieve.

Without committing to the investment in people and planning, an independent retailer has some other options: It could consolidate with other like retailers under the same banner name to leverage resources such as marketing and overhead costs. It could sell to a branded company – possibly for asset value minus debt. It could convert the operation to a branded store. However, even branded stores go out of business if they don't run a great business from year to year.

So, if your independent business decides to join them (become branded), rather than beat them (stay independent), you will be faced with competing with a best-practice independent retailer. So the ultimate opportunity is to...Become the fittest and SURVIVE!

PROFIT*consulting* specializes in helping independent retailers. Please, email [info@profitconsulting.com](mailto:info@profitconsulting.com) for help.