

Leon's List

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"I try to think about being ready to make the next change."



*Allen and Peterson Cooking and Appliance Center is an Anchorage, Alaska-based retailer with three locations. Founded in 1968 as a home decorating center, the family-owned company recently repositioned itself to focus on appliances and cooking. **Leon Barbachano** is the general manager.*

On repositioning

"As Lowe's and Home Depot came in to our area it became obvious that we were a 10,000 square foot version of what they do at 100,000 square feet. We asked: How could we compete with that? For many years we were everything to everyone because there were no other alternatives. But when you can go into a big store that has that much stuff right off the shelf, we knew we could never be that."

On trends and challenges

"One of the trend drivers that became very clear to us involved our paint business. We were selling high end Pratt & Lambert. They were acquired by Sherman Williams, and in the process, they changed all the formulas and the equipment we were using. With that change came a decrease in quality, in our customers' opinion. We started getting a lot of return cans of paint. At that point we saw the writing on the wall, that the paint division of our store needed reevaluation.

The question was: Were we going to invest in the equipment to provide our customers with the paint they weren't happy with, or were we going to exit this business, a business where we hadn't made much money in the last five years? We closed it down and that decision led to another series of events. We looked at our carpeting and flooring businesses, looked at window treatments, at cabinetry, etc. We realized that a number of areas were not adding to our overall equation. And so we started to ask the fundamental questions: What do we want to be? What do we want to become? What is our love? What is our desire? We decided we loved cooking and decided to focus on that lifestyle business. It included starting a cooking school and selling all the tools you need, and of course, continuing the appliances that we were already strong in.

"While this decision stemmed from our passion, we also looked carefully at what was happening nationwide. What were the trends? What wasn't being fulfilled here in Anchorage? We didn't have the big national kitchen specialty stores here."

On advertising and marketing

"I'm still looking for the Holy Grail. I have a degree in marketing and it's always tough to figure out how to get attention and bring people in without a large budget. Because we can't do the things our bigger competitors do, we shifted our strategy and focused on our cooking school. We don't know if it's successful yet. We focus our message on the fact that we teach people how to cook and have the things they need. We do it through calendars and postcards sent monthly to remind people of our schedules. We send to a household list of about 45,000, which gives us pretty good penetration in our market. The idea is not to scream price on a reg-

ular basis. We save that for warehouse and private sales. We communicate that we love to cook in every way we can. As we do that, the hope is people will come in, take a class and buy things. They'll buy our good stuff when they're ready.

"We judge our marketing effectiveness on profit. Our overall volume is down since we've made these changes but our profit has remained steady. Our success so far is that we have been able to accomplish this big refocus without dropping in the profit area. We expect to build upon this initial success."

On sourcing of product and consolidation

"For us it's different in the two areas, kitchen and appliances. On the kitchen side, it's pretty scary. When we started, we wanted to have the higher end product. It's extremely difficult to find higher end kitchen tools. There is definitely a customer demand for it. The problem is that the bigger manufacturers are selling more and more to the big discounters; they're basically making the same cheap low-end stuff to go into our showroom. And they've edged out or acquired some of the higher end manufacturers. In the process, it has become difficult for us to find the high quality product that our customers want.

"For example, a premium pan product, one that sells for an average of \$175, is being acquired by a lower end manufacturer. We're watching that with great interest. Two things may happen. First, they will most assuredly use the premium brand name. The question, then, is what product will they put that name on. The second issue is, that premium brand is not now sold in discounters, and so our fear is that it will go into those stores. Of course it won't be the same quality product, but it will carry that trusted name. This is just one example. It's also happening in knives. Manufacturers are using premium brands for lower levels of quality. It's confusing for the customer. In the long run this behavior will probably kill some fine brands. It's all based on short-term profit thinking. My \$300 set of knives is not the same as the \$50 set sold in the discounter, but the name is the same. And it's tough to immediately discern the difference. This channel conflict is going to continue to be a problem.

"In appliances, manufacturers are adding more features and lowering the price. This happens every six months. The problem is the fact that the price constantly erodes and often, the product quality erodes right along with it. And so, it's becoming harder for a retailer to pick and choose when it all is becoming the same. There is not a lot of differentiation. We also run into problems with the inevitable bureaucracy and the egos that go with these bigger and bigger companies. The bureaucracy can be five levels deep. So many manufacturers are trying to create new products that they can sell for less. Meanwhile, my customers would like to buy a dishwasher that lasts for more than five years. Many manufacturers are not building the same quality today."

On the future

"My biggest fear is not following what's next with the consumer. We made a major transition a couple of years ago to follow the consumer and we've done well. I try to think about being ready to make the next change. Will I miss it? Just thinking about our own business, one that started out and remained for years as a home decorating center. We didn't change until a few years ago. All this was happening around us and we still didn't change. And so, I do a lot of shopping. I read a lot. I speak to a lot of people. The biggest thing is to really embrace change and the best way to do it is to keep looking."

Mike's Method

“There is support out there for you.”

Baron's Major Brands is a New Hampshire-based TV and appliance retailer with four locations. The company was founded in 1947 and is positioned as “the stores that service built.” Mike Baron is vice president.

On the day-to-day vs. vision

“We often get caught up in the day-to-day and never see the big vision. We became involved in a ‘Visions’ program through NARDA that forced us to look at the big picture, to document the roadmap and to make progress. Since we have done that, suddenly we are accomplishing our goals. We’re making incredible progress. Not only is it improving our business but it’s personally much more fun and our teams of associates are much happier. They know what we’re doing and know where we’re going.

“A lot of the lack of labor issues that many complain about, we don’t have. We decided not to be scared to confront situations. For example, there could be a situation with a salesperson—let’s say there’s an associate who is a top performer, a top performer by more than 50 percent than anybody else. But because of that person’s style and demeanor, they’re not allowing the rest of the team to perform. When one recognizes this and isn’t afraid to confront it and make a change, suddenly the rest of the team is excelling in their performance, creating a better atmosphere that is more appealing to potential new employees.”

On internal communication

“We’ve changed. We now do weekly departmental staff meetings—every department for 20 minutes; one topic and no war stories—topics like phone etiquette or attire. In our meetings we also talk about what’s important in our customer experience. Our customer experience encompasses the relationship they have with the store and we try to go out of the way to make it memorable. Our biggest challenge is to continually improve our customer experience. We involve our entire team. The solutions usually come from the troops.”

On advertising

“We use the KISS method. We keep it simple and strive for consistency. We look for best value media, which in our markets are radio and cable TV. We try to create more image than product and price. We try to communicate lifestyle and do it in an emotional way. We’ve evolved in this direction because we can’t out price and out-advertise everybody. It allows us to be different than the rest.”

On service delivery

“A big change in our culture has been that many years ago service people were considered the bottom of the totem pole—we’ve reversed that and put that aspect of the business on the top of the pile because that’s the last impression the customer gets. Our service people can make or break a future relationship with that customer. By treating this category with a lot of dignity and respect, we’ve gotten better performance.”

Use of technology

“We are huge when it comes to IT. We are always looking for ways to communicate better. One example in communications is that we have multiple locations. And for a long time it was a challenge to communicate to the locations. We put in a new Internet-based phone system that connects every phone in the company as if we were all in the same building. The customer calling in can get the same greeting and be directed where they need to go without incurring a toll charge on us. But more importantly, it enhances the customer experience.

“It was a problem for some time. We wrote the specs of what we needed in a phone system several years ago and we were just waiting for the technology to become affordable.”

On words of wisdom

“I don’t like to give advice because everybody’s different, but I would say you have to have fun in what you do. And if you don’t like the rut that you’re in, you’d better change it or get out. If you choose to change it, that typically means you have to get control back of your environment. And if you don’t know how to do that, there are support mechanisms in your industry that will help you accomplish it, support that will take you through all the steps, no matter to what level your company has evolved. There is support out there for you.”

Bob's Bona Fides

"We have wonderful possibilities."

*Balliet's, a single-location Oklahoma City women's fashion specialty store, was founded in 1936 and is now owned by **Bob and DeDe Benham**. The Benhams bought the business in 1991 and have continually worked to*

improve and refine the store to offer "the finest that fashion has to offer." The store is well known in the fashion industry and enjoys a national reputation as a premiere fashion destination.



On beginnings, first things first, trends, strategy, gutsy moves, emotional content, segment of one marketing, breakthrough lines, sharing and strategic rethinks

"The store was really struggling as a result of a depression we suffered in Oklahoma in the late 80s. So my first few years were all about expense reduction and rebuilding the infrastructure of the business—taking the markdowns on all the old stuff to clean it up, putting in a computer system, remodeling the store, etc.—to make the ship float upright. We got the business going and then in 1995 and 1996, we turned our attention to merchandising. I have a long background in the business and with strategic planning. We made a series of big decisions that we implemented in 1996, 1997 and 1998. The first was to aggressively develop our non-apparel businesses. That was the best decision I've made since I've been here. We decided to develop our cosmetics, shoe, jewelry and accessories categories, with the ultimate goal of doing as much in non-apparel as we were doing in apparel. The margins are higher, the turn is faster, the risk is less and they build store traffic.

"When you see folks every day in your store for these categories, you've got a good crack at them for apparel. Our growth has been enormous. We are now 60 percent non-apparel.

"We also made the decision to trade up in quality. We could not compete either in terms of price or assortment with the department store. We dropped every line being carried in a department store. It cost us over \$1 million in volume. We felt we had to have a very clear niche and purpose in the marketplace. I felt the luxury business was going to rebound and that the accessory business would be huge in the future. I had the gut feel but I called a lot of people I respect in the industry to get their take. I got confirmation I was on the right track.

"We traded up. We became much more exclusive. We went after European lines. Our number one selling shoe line is Prada. We are a luxury goods store with some more modest price points, but those have to be special. We decided not to chase the basics business. Everything here has to have emotional content—that's what our customers are looking for. That's how we train our buyers—to look for things with emotional content, something you are going to respond to, react to and love.

"We have to be different. It's the only way to grow our business. So we went after exclusive lines in all categories of our business. And it's worked incredibly well. It was very difficult to do at first, being a small independent store in Oklahoma City. It was a long-term process. What we tried to do was get a couple of breakthrough lines initially that would give us credibility with

the other vendors. Luckily, I had a lot of contacts. Once you have that breakthrough line, the other vendors think, there's something going on there and we want to be a part of it. Our website was one of the absolute keys in getting some breakthrough vendors. We were able to portray our image visually and instantly.

"We also use targeted marketing, segment of one marketing. I felt that we could not continue to spend money in our big statewide newspaper, because if we were becoming a truly niche store, attracting a small percentage of consumers, I did not need to spend money for ads to reach big numbers. We developed our own newsletters. We do a lot of direct mail and some very targeted radio, particularly for cosmetics. We have not run a newspaper ad in six years. We are aggressive in the store about getting customer contact information and, of course, now we are doing the same thing for email addresses. We are now doing a real good job with email marketing. We've been using this highly targeted approach since 1996.

"We have a sharing group of stores in non-competitive markets and we meet annually and exchange information in a formal way. It seems all of us know somebody who can be helpful to somebody else. We have all helped each other enormously. We even share financial information. We put everything out there and have developed standards that we benchmark. We see where we are and where the potential is for improvement. It's triggered a lot of good decision-making on the operational and expense sides.

"We have a singular philosophy on creating a customer service culture. We pay our people the most we can afford to pay and not the least we can get away with. If you want good people you have to pay for them. Our business is completely relationship driven with our customers. We're looking to create value over the lifetime of a relationship, so we're looking for people who understand that philosophy. You need to provide benefits and opportunities and recognize them with praise, and lots of positive feedback. We have remarkably low turnover in our store. We have a family driven environment. That is a huge advantage that independents have. We've taken people through some difficult times in their lives. People who are treated well tell other people. People have issues in their lives; we really try to remember this and take care of our people.

"The relationship of the salesperson to the customer cannot exist without a similar relationship of the employer to the employee.

"Information technology saves us money and provides more timely management information to make good decisions. The marketing piece is the big opportunity. We are still underdeveloped in mining that data. We are fairly advanced when it comes to IT but when I think about the opportunities, I realize it's a big area for improvement.

"A lot of businesses have trouble with succession. You can't teach all the things you learn from osmosis. I was lucky with a big company background, but a lot of people who don't have that outside world background have trouble. You have to try to get it.

"I'm now going through another major strategic rethink. I've been handing off major areas of responsibility to others over the last few years to free myself up to work on the strategic issues, the value creation issues, the "where are we going from here" issues. We have wonderful possibilities."

Veronica's Victory

"It's something I can do"

Veronica Brockwell started Soak, her bath and beauty product business, in 1998 in Richmond, Virginia. She began by manufacturing and selling her bath products in her first retail store.

Since then, she has added a second and third store and is distributing her products through Nordstrom and other prestigious retail channels and via her website www.gosoak.com. Veronica has created a retail environment she calls "entertailing," providing a social, entertaining and interactive shopping experience for her customers.



On beginnings

"I started with nothing but an idea: Make my own bath products and sell them in my store. I thought it was something I could do. My mom had her own business when I was growing up so I wasn't afraid of doing my own thing. I made the products at night on the second floor and sold them during the day on the first floor. I was open seven days a week. I was the only employee. In my previous work, I was responsible for traveling, looking for trends and new product concepts, and so I brought this expertise and sensibility to my new venture. I did research on the bath industry and realized it was poised for great growth."

On getting customers, recognition and buzz

"I thought I needed to sell other recognized, branded products at the start to get people into the store and familiar with my own products, which obviously had better margins. It worked. I started early on to do PR work on the business, partly because I could not afford advertising, and I started to get a lot of favorable publicity with beauty editors looking for an interesting story and interesting products. I started to get national publicity, which eventually helped secure other product lines that otherwise may have not sold to me. We send the editors our products regularly and now they come to me as a source. I had no background in PR but had a friend who gave me a lot of pointers. I also expanded the concept to have cosmetics as well as bath products to broaden my selection, which helped during the recent down economy. With the upturn, things started to get better. And we keep coming up with new product lines. We are now selling about 70 percent of our own product lines and getting better margins."

On the Internet

"We launched gosoak.com in 1999. We were hopeful that the Internet was going to be huge. While that hasn't happened, it has been a good tool for us—a good way to have people see our company without being in Richmond. We do some business, but not at the level of our stores. Our site didn't cost us a lot of money. It was not a huge investment. So, we have made money on our website and are happy. We like having it. It's pretty interactive. We have a beauty advisor component. We have people who write in. We plan to put more resources into it this year and grow it."

On advertising

“Initially I had no money. It was a challenge but I knew it was necessary. I set an ad budget of \$400 a month and knew it wasn’t going to get me very far. So the question was: How can I maximize it? I ended up doing radio. I had great success because I partnered with a radio station and committed to a year contract. I told them if they worked with me, I could grow the budget. The station gave me tons of added value because I signed that initial long-term contract. I also started hooking up with other businesses and started co-op advertising. I would provide gifts and hook on to others’ ads. I would give them product for airtime. We got our name out even more and I eventually grew my advertising budget substantially. I also do some print advertising to maintain good relationships with the press.”

On customer service

“We have a very, very high level of customer service in our stores. We do a lot of unique things. Every product you purchase from us, we will custom gift-wrap for you, for free. Our marketplace knows that, so when people need to purchase a gift, they will come to us. It’s not that expensive to do. We offer a lot of complimentary services too. We do complimentary make-up lessons. We do facials. We do that to get people into our stores. If they sit in our chairs for a half hour, we have their attention. They’re not going anywhere and they’re enjoying it. We can sell them during that time. We also have a customized make-up and fragrance bar. You can come a sit at our bar—just like a bar at a restaurant—and you can create your own fragrance. We then will scent unscented bath products with your own creation. It’s an interactive, fun experience for our customers.

“So you’re there, with your customers, really working with them, giving them special attention. And they end up with their own products. And we keep it on file. You can do the same thing with cosmetics. We just decided to bring the lab to the selling floor. Why not? We figured we can do this in front of people and put on a show.”

On employee retention

“We’re struggling with this for the first time. I’ve always had people come to us who wanted to work for us. Our marketplace is becoming much more competitive with new big shopping malls opening up. They are paying people a lot more than we are. We have lost people. We had to figure out new ways to retain employees. I’m trying to spend more time with my staff, trying to create events we can do together—to create more of a team feeling. We are doing more charity work together. For example, we are building a house for Habitat for Humanity—the idea of trading in make-up tools for power tools for a day. It will be fun and we’re raising money for a good cause. We’re also doing co-op radio remotes, getting our girls out there, getting media coverage, and making them feel like ambassadors for the company. It’s all helping. Competition is making us a better employer.”

On advice

“Join an organization. Network. I would not be here today without our retail association. I would not have been able to grow this business to where it is today without them.”

John's Journey

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“One thing about a big company is they’re predictable”

John Clarke is a third generation grocer and president of County Fair Food Stores, based in South Dakota. Currently, the founding family owns and operates a total of 15 food stores in Nebraska, South Dakota, Minnesota, Wyoming, Kansas, and Iowa.

On beginnings

“My grandfather started the first store in partnership with another man; and as the story goes, in the beginning, my grandfather had the money and the other man had the experience. When they got done, my grandfather had the experience and the other man had the money. Later on my brothers and I went into the business and with only one 8,000-square foot store, we decided that we needed to grow. That was in 1974. We grew. We built and bought and then in 1990, we decided to divide the company into separate pieces. We did this without any lawyers and it’s something that my brothers and I are very proud about. I handle four of the stores now.”

On competition

“We’ve survived the introduction of the big supercenter, one of the main competitive threats to independents in our industry. Adversity forced change. The first supercenter in South Dakota came in to Mitchell, right in our backyard. That introduction made us analyze their strengths, our weaknesses and devise a plan on how to compete. We knew we had to differentiate ourselves. We looked at the things we were doing that they were not doing, and probably would not do. One thing about a big company is they’re predictable.

“We structured our program on what we believed our consumers would find valuable. We went higher on service. We call ourselves ‘the friendliest store in town.’ If you say something often enough, the more apt you are to do it. Let’s face it—being friendly doesn’t cost you anything. We train everybody to say it and it’s hard to say it if you have a frown on your face. It’s an attitude.

“We also put a strong emphasis on our perishables—our produce, meats, bakery and deli. About 60 percent of our deli business is catering and that’s something the supercenters don’t do. Last year was our best year ever. We are doing more business after the arrival of the supercenter than before. We are much more convenient in the time it takes to shop than the big stores and time savings continues to be a big factor with so many people today.”

On the power of locally owned and community involvement

“I think a key strength of small businesses is the fact that they are locally owned. If you’re locally owned you usually are more committed than the hired guns down the street. Being involved in your community is important. I know we get a lot of business because of it. My wife and I are very involved. People know who you are and the good works that you’ve done. I think more and more people are choosing to shop with someone who is giving back. We serve on many of the boards in town, chamber of commerce, local college trustee, hospital, church, etc. Sure it takes time. It’s good for business but more importantly, we believe it is our responsibility to make the community we live in better.”

On advice

“Being successful in small business is more about attitude than anything else. If you take the attitude that you will do whatever it takes to be successful, I think you’re halfway home. If you focus on serving your customers as your priority—to help them get what they want, then you can get whatever you want. I think that’s as good a definition of success as there is.”

Bob's Best

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 “We follow our customers.”

Bob Cremer is president and CEO of Aronson's Furniture, an Illinois independent retailer of furniture, mattresses and electronics. The company currently has ten locations in and around Chicago and primarily serves the African-American and Latino communities. The business was founded more than 60 years ago. Mr. Cremer is also the current president of the Furniture Marketing Group.



On beginnings

“Our main niche is that we have our own, in-house financing program. As a result, we have a large portfolio of customers. We customize monthly payments to fit our customers' budgets. That was the premise upon which Aronson started. As we have grown, and our locations have grown, we have changed everything to accommodate our growing customer base. We don't forget, and never will forget, who brought us to the dance. We have spread out as our customers have matured and become financially better off. Many of them have left Chicago and gone into different suburbs and we've followed them. As they get better credit ratings, we've changed to have a more flexible credit program. We have customer families that are third and fourth generation.”

On research

“I'm a great believer in surveys to find out what people think of us. Before we open a new location we obviously do our homework to make sure it's the right place. We've found that many people associate a company like ours, one that has in-house financing, as someone with low quality and high prices. We found out customers wanted more recognizable brand names. At that point, I knew we had to do something, so I started a campaign to bring in additional brand names like Serta, Sony, JVC, Whirlpool, Maytag, Lazy-Boy. It's helped us grow.”

On differentiation and competitive advantage

“Our financing program is still a big differentiator; it's a common tie to our customers. As our customers have become more successful, we have moved to areas where we want to attract other customers who do not necessarily need financing. We are in the process of opening new stores that will be more upscale. We will hire a well-known designer for the new stores, make a name change variation and generally step everything up a notch.

“Of course, we give the kind of service that independents are known for—the kind of service that the big box stores don't do. I believe that is how all independents can be a step ahead, by offering the kind of service the big guys can't. They have information desks. We have people walking around whose job is to create relationships. We don't call it selling, we call it relationship building. We always stress to not view a customer as a one-time sale.”

On targeted visibility and advertising

“We're very visible in the Chicago area. We do TV, radio and we send out hundreds of thousands of circulars every month. We advertise individual items to bring people into the store to start a relationship. We have become very focused on who we are. We do not advertise to the general

public per se. It's just not who we are or where our locations are. Therefore we are rarely on the national broadcast stations. We spend virtually all of our money on the minority-focused media. We go to where our customer lives. We target our circulars to the zip codes around our stores' locations."

On management

"We do not think profit is a bad thing. It enables us to grow and support a great management team. The back end is just as important as the front end. We keep expenses down as much as we can. Strong management has helped us develop a definite succession plan. I've invested a lot of money in management, both people and systems, and that has enabled us to be where we are today."

On challenges

"Our biggest challenge is to continue to change—to make the changes that we need to do to keep us as successful as we are right now. We try to be ahead of change and be more proactive than reactive. As the industry changes and our customers' needs evolve, we have to first see it and then do something about it."

"People work hard today and they want nice things. They want things to last. With the branding program I mentioned earlier, we brought on products at price points that we had never sold before, and they're selling. We really began this by testing, by bringing in some higher priced, recognized branded goods and paying attention to how it was working. It was not life and death to bring in a high price SKU on the floor. It was either going to work or not. In our case, it did work and we kept putting more on. Our customers do a lot of entertaining in their homes as opposed to going out, as some more affluent groups do. The better quality goods make a statement and give our customers a sense of pride. And so, in a nutshell, we were quick to accommodate our changing customers and we believe this is the reason for our success."

On pride

"Be aware of what's going on outside your business—your competition, your marketplace, but mind your business details and be the very best you can be. Have a positive attitude that what you are doing is making a difference. I always tell my people, if we close tomorrow, who will care? If the answer is no one, we have lots of trouble. So be special to your customers. If you are a small guy you have to have a niche. You have to have something that you can say, I'm proud I do this. At Aronson's, I believe we do something good here. We have wonderful merchandise and we are providing people with the ability to have nice things in their homes. It makes them happier and keeps us growing."

Jay's Way

“It’s about being a little bit better.”

Jay Goltz is president and founder of Artist’s Frame Service, Jayson Home and Garden and Chicago Art Source, a collection of home focused retail destinations in Chicago. Jay was inducted into the Entrepreneurship Hall of Fame sponsored by Arthur Anderson and is a featured speaker and author.

On beginnings

“I started right out of college in 1978, back when you weren’t supposed to go into business for yourself. Nobody had ever heard of the word entrepreneur and if it was talked about, it was used in a slam way like, ‘Oh the guy’s a real entrepreneur,’ like you were selling watches up and down your arm on the street. It wasn’t that long ago that being in your own small business wasn’t even considered an occupation.

“I was tenacious. And just kept saying to myself, there has to be a better way. I would make a mistake, maybe make it twice or three times, but eventually figure it out. I survived all these mistakes because I was always customer service driven and took care of customers. I quickly developed a loyal customer base and no matter what I did wrong, in finance, management or hiring, I always made it right with the customer. And that forgave a lot of mistakes.”

On competition

“There are so many competitive forces out there that showing up doesn’t cut it anymore. Think about it. There are a lot of mediocre businesses, and our capitalistic system is shaking them out. Longer-term success is about blocking and tackling—it’s the fundamental taking care of business details that I believe are crucial. A differentiator can be that you’re not lousy—that you actually do the right thing and get the product out the door. How many businesses that you do business with can you count on to do it right all the time?”

On competitive advantage

“I accept responsibility to make sure everything runs right. I work harder finding better product. We go to more trade shows. We spend the money. When business gets tight some decide to cut and not go to trade shows. Not smart! Going to trade shows for us is not overhead—it’s the lifeblood of a product-oriented and design-driven business. I work harder at offering products and services that others don’t have.”

On advertising

“There’s good advertising and there’s flushing money down the toilet. If you do the wrong advertising it not only can be wasteful but it can be counterproductive. I’ve learned that a small business has to be completely focused on target marketing—knowing who you are after and making sure you don’t do a shot gun approach. You need to understand who your core customer base is and you need to figure out where they are. What are they reading? What are they doing? A big problem for small independents is getting help with your advertising. Many get help from the ad salespeople who have as much background in successful advertising as the guy selling shoes does with running in the Olympics. They’re selling their product and program and what do you know? You believe them. The one-size-fits-all advertising strategy is a huge problem.”

On product sourcing

“In the frame business there is a big conglomerate vendor, a huge company with a nice selection of product. But they are now in just about every store. The frame shop owner who is not willing to work a little harder goes ahead and buys from them. Why? Because they’ve made it easy. Unfortunately it’s reverse niche, because now you have the same product everyone else has. It requires sustained energy to go out and source new product somewhere else. It requires talking to more salespeople, researching more, not taking the easy way. The sharper store goes out and finds some different kind of stuff. It’s about doing a little bit more than everyone else.”

On the extra 5 percent

“The extra 5 percent you do makes all the difference in the world. What is the difference between the guy that won the gold medal and the guy that came in fourth place? A tiny percentage. Maybe my selection is 5 percent better. Maybe my service is a few percentage points better. But that’s the big difference. It’s about being a little bit better.”

On big vs. small

“The three major drivers of the big company are infrastructure, resources and market recognition. They live off those three things. These are powerful weapons that are very difficult to compete with. The three things small guys have are innovation, drive, and fear. What happens when you can combine the big drivers with the small? You have a Nike. You have a powerhouse brand.”

On service delivery

“It starts with hiring properly. You can’t accidentally hire anymore. There is not a whole lot of hiring thoroughness in small retail. There is still too much naivety. Checking references is key. Many don’t do it. It’s always the same story. When someone complains they can’t find good people, I say really? Have you looked? Have you advertised? Have you searched? I’ve learned to hire people who have passion for the product, passion for the store. I don’t want the career driven. It’s fine for some but not for me. I want someone who says I love your store and want to work in it. I want the passion that’s in sync with what our customers want.”

On customer loyalty

“I think we are living through the age of business doublespeak. Nobody wants to call customers ‘customers’ anymore. They’re ‘guests’. I don’t know about you but when I’m a guest somewhere I expect to get something for free. There are no more vendors anymore, they’re partners. There are no more employees, they’re team members. I simply revere the customer. I think loyalty, other than to your family member, is conditional. When someone works for you and you treat him or her the right way, you can expect loyalty. It’s the same for customers. Loyalty is not some overlayer that makes up for everything else. It’s an end result. The activity is not about how we get them more loyal, but rather, it’s about being consistent and delivering a good product every time they come in. That’s how to get customer loyalty.”

On advice

“Figure out what you are bad at and work on it. Your strengths will take care of themselves. Talent results in a big top line. Wisdom results in a big bottom line. Get out of your comfort zone.”

Neil's News

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“I open my eyes to all kinds of businesses.”



Neil Gulati is founder and owner of *The Mattress King*, a Virginia retailer currently operating 21 stores with 85 employees. Neil began his business 20 years ago as “*Sit and Sleep*,” selling sofas, recliners and mattresses, with mattress accounting for the vast percentage of sales. Eleven years ago, he changed the name to “*The Mattress King*” as a response to competitive inroads, successfully refocusing his business on just mattresses.

On the consumer today and specialty stores

“Consumers are bombarded with so many product messages every day. It's an astronomical number. When I refocused my business, I realized I had to make it easy for the consumer to keep us in mind, so I switched our name to ‘The Mattress King.’ Now the consumer knows exactly what we do. We sell mattresses and we are the King. So if you want a mattress, you automatically think of us first. What the consumer holds in his mind has everything to do with perception and very little to do with reality. Most people think of specialty stores as the experts in the particular product category. It's natural. This fact has been a continuing problem for department stores. You would not get your heart surgery from a GP! Specialty is becoming more and more dominant in consumers' minds.”

On change and consistency

“Regardless of the size of any retail business the overriding dynamic is constant change. Because of this, the lessons of consistency are paramount. Without knowing who you are and what you're about, it's hard to contend with change. People who fail are the ones who try to be what they are not. The small guy has to apply the same principles as the big guys. The big guys are successful because they stay focused and consistent. You have to do and communicate the same things over and over again, every day. You do this to get better and better at it every day.

“I preach that consistency and change are parallel. How can that be? For example, you are the consumer. You come to my store and I'm going to give you a sales pitch about whatever product you are interested in. The process is: I'm going to qualify you, listen to what you say, and then I'm going to offer you a certain area of products. The process is always the same—qualify, presentation and close. That's the consistency. What changes is the fact that every person who walks into my store is different. That's where psychology comes into play. For a tennis player, I talk tennis; golf, I talk golf. You analyze your buyers and gain their trust. It's about showing that you understand.

“If you change the process that you do every day, it leads to confusion and you lose focus. The basic premise of any successful business has to involve consistency.”

On survival and success

“The one reason I've been able to survive and do well is that I open my eyes to all kinds of businesses. I read ads from everybody and sometimes I borrow good ideas. Strategy principles apply to us all equally. It's just that they have to be executed in a different way, depending

on your business. Today, I was in a TV advertising seminar and spent two hours learning more about buying more efficiently. I'm not totally dependent on just what my reps say. I'm still learning. I think about how every industry is changing constantly. What was valid a month ago is no longer. I learn from changes in other industries. Back to my TV example, I used to buy the 'Friends' TV show, which recently ended. That buy gave me an important audience. Now I have to replace it. If I didn't keep up with the TV industry how would I know?"

On products and profit

"The only way to make more profit is to update the products. Many consumers are making more money than they ever have and what are they going to do with that money? They spend it. Why do we work hard? To reward ourselves. If we don't reward ourselves, why are we working so hard? That's the motivation where new, better products come into play. When you come into my store, I say you need to spoil yourself with this new mattress."

On service

"Retail, unfortunately, has the worst rap on service and salespeople, and justifiably so because the retail industry pays the least and has the most demanding hours. So the quality of the people to choose from is not necessarily topnotch. Having said that, what we do to attract the cream of the crop is, we offer our salespeople a totally different type of compensation program as compared to our competitors. Our competitors are straight commission, draw against commission. We offer our salespeople salary plus commission. We may offer a little lower commission rate but we give them both security and incentive.

"The way I look at it is we all have to have a certain amount of stability in our lives to stay motivated. If we have no stability, we lose motivation, using our resources just to get by. We offer our salespeople what we call a 'security plus' plan. We offer our staff different motivation programs, contests etc. We help our salespeople in that we offer better guarantees to our customers upfront. We are the only company that offers a one-year satisfaction guarantee. I will sell so many more mattresses from that guarantee than I would possibly have to take back."

Donna's Difference

“Why would someone keep coming to your store if it always looked the same?”

Donna Hogan owns the Fickle Frog in Corning, Iowa, a town of 1,800 people. Her store is a destination specialty gift store, selling an array of original artistic products. Eighty percent of her customer base is from out of town. Donna totally remodels her store every year to keep customers coming back to experience the friendly, fun and unique shopping she provides.



On beginnings

“One of the hardest things I did was resisting the popular “country look.” I wanted to find unique things and so I would travel around and meet different artists and buy their work. I’m always looking for new artists. We’re a community of a lot of specialty shops and one thing we have always done is work together, so we’re not all selling the same thing.”

On change and changing

“As Starbucks was becoming popular on the west coast, I had the idea of opening an espresso bar in my store and I don’t even drink coffee! I put it in and it started bringing people into the store who were new and who probably thought they weren’t interested in what I was selling. Well, they started seeing things that they liked and started buying. It was a great success. The coffee business brought me new customers and now I’m doing a big business in beans!”

On differentiation

“I’ve always tried to do things in the store that were different and I always look at everything when I’m traveling to get ideas. We do a lot of redecorating the store. I want a wow factor when people come in the door. We remodel every year. I take everything down and put something new up. Right now, we’ve put gossamer on the ceilings on the walls, everywhere. Of all the stores I’ve visited, I’ve never seen anybody do that. I want people to come back and bring their friends. I want people to think of us as a fun place to visit and see. We do an annual Christmas show and each year it’s always a different theme. Last year was gingerbread houses and we put candy everywhere.”

On advertising

“The first ten years, word of mouth was how we got business. After that, I started advertising in a town 20 minutes from us with a population of 10,000. I advertised in their daily paper for a full week once a month. I can’t stand plain ads. I wanted mine to stand out. We used our crazy frog logo to get attention by putting him on a boat, putting him in sunglasses, in a football helmet... That really brought a lot of people in. At one point my business was about 30 percent from that town.

“Since then, I’ve switched to doing newsletters. I began with bulk mailing but quit it because people don’t get it on time or don’t get it at all. So now I do first class mail. The next step is to get email addresses and do it electronically. Our newsletter is very personal, very chatty, with news about what’s new in the store and what we’re planning for.”

On events

“We always have to think about ways to bring people to us. Right now we’re working on creating something for the Red Hat Society, a group of women 50+ nationwide who wear red hats and purple outfits, and get together socially to have fun. They do outings. We know there are around 300 members within 90 miles of us. We’re planning an event for them to bring them into town, not just to shop but do other things as well. We have to work on different ways to bring people into the community.

“A few years ago there was a 10,000-person bike ride that came through Corning. I put a sign up that said ‘free shipping’ because they’re on bicycles. I sold a lot of merchandise.”

On advice

“You have got to be friendly. Your customers want to have fun.”

Steve's Selling

“We changed because we did not want to be in the commodity business.”

A family and employee owned business since 1919, Urner's of Bakersfield, California, is a full-service, one-location retailer of furniture, appliances and home electronics and one of the largest independents in the U.S. With the opening of a new location in 2000, Urner's has positioned itself uniquely to better compete and continue its tradition of innovation and growth. Steve Illingworth is vice president.



On differentiation and competing

“About nine years ago we were in general consumer electronics and many of the majors came into our town. We quickly realized that most of our margins were not in the products they and we were currently selling. We toured around, visiting a number of places around the West and found that big screen television was becoming very hot and you could get good margins. We decided the opportunity was in integrating the selling of big screens with surround sound systems and furniture. We set up our whole electronics department basically as a vignette. We have multiple vignettes around the store that allows us to use all our space as selling space. We are promoting and selling the big screens, but when the customers come in they see a lot more. We do demonstrations of surround sound so they can really experience it.”

“We did not want to be in the commodity business competing with the chain stores; \$99 DVD players were not our future. We decided to offer a premium product with a sales staff that could educate the customer to understand the benefits. We also offer installation that other big chains don't. We saw that as a profitable niche for us. We have grown profitably because we saw the coming demand. When you start to see sales and profits go down you've got to find other products and better ways.

“We did not want to appear as a full line home furnishings store but rather a distinct specialty destination; and so we promote ourselves as almost three distinct businesses: Big Screen City, Sofas etc. and The Appliance Center.

“Our products are always in stock because the Achilles' heel for the big chains is they never have in all in stock. It usually takes at least three or four days. This is a big competitive advantage for us. I know how vulnerable they are because of their lack of inventory. And I know how much business we get because of it.”

On being employee owned

“We started an ESOP about 15 years ago partly to create a market for our stock. We were also interested in creating ownership for our employees. It helps them save and grow a retirement on their own. It helps us retain people and get new people.”

On advertising and marketing

“We do a lot of TV, radio and newspaper. We need to be in the market because you never know when a customer is in the market. For example, I don’t recall seeing a tire ad recently, but when I’m in the market for new tires I look for those ads. Our TV and radio is focused on being entertaining. We tend to use humor and we drive our image that way. We talk about full inventory, next day delivery. We focus on the benefits we offer—benefits that the customer will not find at a competitor.”

On tiebreakers

“The service benefits are tiebreakers. We are always looking for tiebreakers and it’s never price, because the price is the price; the market always sets it. We have to be competitive with all our competitors or we are not in the game.”

On product sourcing

“We’ve belonged to a national buying group for 25 years. We get tremendous benefits like volume rebates, extra advertising, marketing tools, educational seminars, sales training and employee benefits, all of which we could not get any other way. Buying groups will typically add 35 percent of profitability. Our buying group recently set up a mixing warehouse whereby we became Samsung’s fourth largest national account. That actually helped the buying group move up in importance. But also, we have to always rely on suppliers who will meet our needs.”

On customer product knowledge

“We believe that the Internet has increased the average sales price because the manufacturers do a much better job in presenting all the features and benefits that typically retail salespersons cannot do no matter how much training or knowledge they may have. The salesperson will not have the same interest that consumers will when they are ready to buy. The consumer doing the product research will get excited by the manufacturer’s website. They learn what they can get for more money. They understand why they are paying more for a given product. So, when they come in to us, it’s much easier for us to make the presentation and a sale.”

On understanding vs. changing

“It’s not always a problem to understand the drivers of a business. But it is sometimes a problem to convince someone to do something about it—to get people out of their comfort zone. For example, selling service policies and other add-ons accounts for about 50 percent of our bottom-line profit. And that’s because we are in such a competitive market. Some dealers will go to buying group seminars that take about the criticality of selling service policies. They will understand the importance and then go back into their comfort zones and change nothing.”

On greatest strengths

“We think it’s always about getting the combination of the things you have to do right. It’s about customer service. We focus on the details. We always want to know what image is left with our customers after they have dealt with our salesperson, warehouse person, delivery person and service person. We always want to exceed our customers’ expectations. We try to make it a great experience for our customers. And that great experience is a fragile chain.”

George's Growth

“You can't sit still today. You have to keep growing. If I had not planned for growth, I would have been done by now. It would have been all over.”

George Kutsunis is the owner of GWK Enterprises, a Geneseo, Illinois-based woman's apparel company that currently operates in six locations in two states and has 86 employees. George began his business in 1962 and has enjoyed good growth ever since. He was named Illinois Retailer of the Year in 1992.

On beginnings

“From '62 to 1978 we did business just in Geneseo. We purchased buildings and opened a number of stores in our downtown area. In 1987, we entered Davenport, Iowa, with a store. It was an immediate success and a few years later we built our own building and moved the store. In 1990 we went to Princeton, Illinois, 40 miles east of us and built a building there as well, in the downtown area. In 1997 we opened a new store in Peoria, Illinois. In 1998 we expanded again in Iowa at a regional mall. And now we've taken another lease in Cedar Rapids, Iowa. And my wife and daughter recently opened up a gift store business here in Geneseo. I guess you could say we're really in the retail business.”

On initial growth

“When we were just in Geneseo, we were limited in population but we had a larger urban area to the west of us, so we started marketing on TV and developed a spokesperson. She was a professional character actress and we named her Sophie. At the end of every commercial, she would say, “When you go there tell 'em Sophie sent you.” We had a tremendous success with her. We even developed a Sophie's buyer club card. We sold it to our customers for \$10 and it was good for a year. The card enabled them to buy merchandise for 10 percent off. We sold 16,000 cards the first year. That campaign put us on the map. It worked then because we weren't confronted with all the competition we have today. We realized we could not continue to draw from our own small town as other stores were opening, in larger metro areas around us.

“We decided if we were going to survive we had to put stores in those larger markets and make it more convenient for our customers to shop with us. The decision did some very good things. It obviously built a larger customer base and enabled us to spend more on advertising and promotion. And the additional resulting volume enabled us to get better pricing from our vendors.”

On being different

“In our business, there are basically two categories of merchants today—the mom and pop small independents and the large specialty chain and/or department stores. Our vendors look at us as a small chain. Most specialty stores are around 3,000 to 5,000 square feet. Our stores are around 10,000 to 12,000 square feet. We carry an extensive assortment of merchandise and we carry a full assortment of size ranges—missy, petite and plus sizes. The plus sizes are very important to us. We're larger than a specialty store but much smaller than a department store. We're kind of a hybrid. I don't know anybody quite like us.

“Our niche has worked for us in the past but it's a little scary knowing we're out here alone doing this. It has worked in the small towns we are in and it has worked in the larger middle

markets we've entered. But all the big national chains that were never in our markets before are all here now. We are faced with an ever-larger retail base. It's very difficult to do business today and get people to come through your door. People have so many choices."

On advertising

"We've been in business a long time and have used all kinds of media. It's harder and harder to reach your customer today. With the advent of all these cable channels and the fragmented media environment, you have to work harder. We're embarking on a new TV campaign right now that will be more image than price. We're going to try this. We've done many different campaigns over the years but nothing has been as effective as our initial Sophie campaign. I've been a big believer in TV but it depends on the idea, the hook that's going to get that customer. We also recognize that we need to develop that younger customer. Our mature customer base numbers are eroding so we need to replace her. So the question is, what medium will reach that younger buyer? Newspaper is fine for our mature customer but won't work for younger people. We also use direct mail. We have an extensive in-house list of 52,000. We are still struggling to get that younger customer. We're not a national name. We are not instantly recognizable. But we feel we can use TV to challenge that younger customer to give us a try."

On product and vendor consolidation

"We try to find product that's not everywhere and it's getting harder to do. Our buyers go to market every six weeks. We are working with some other stores out of Missouri and Kansas. They are similar in size to us and we are now collectively importing some goods. We get different products and we've built our margins tremendously.

"Truthfully, I don't know how a very small independent can buy anymore. A lot of people don't want to talk to you if you want to place a small order. We're just a little bit bigger. We can buy a little more quantity and so we get some attention. Our buyers are aggressive about pricing. Everybody in a New York showroom is getting a different price so you have to be aggressive. By continuing to grow and upping our buy, we've been able to effect some good pricing and be more competitive.

"We've also seen tremendous erosion in our vendor base. You have search to replace them. Our buying office in New York helps with that."

On future growth

"We know that to grow you have to take a risk. When you go into a new area as we've done, you don't know how it's going to go. You are unknown. You have to develop an image and get people to grace your doorstep. It's an ongoing challenge. We've been able to do it through our advertising and through word of mouth. You can't sit still today. You have to keep growing. If I had not planned for growth, I would have been done by now. It would have been all over. We take very little out of the business and put a lot back in for growth."

On information technology

"About five years ago we invested about \$225,000 in a software package to upgrade our systems. It was a big cost but we had to do it because we were growing so fast. We had to have timely information. The system has worked very well for us. You need that capability today. We also have a website that is informational and facilitates communication with our customers. We don't sell through it, but we do put all our promotions and sales up and we're getting good response. We are also developing email addresses to add to our customer database."

On employees

“We are happy we don’t have a lot of turnover. We have a genuine respect for our people and they respect us too. They do their best to do the right thing for us. The issue of keeping people is tough, especially younger people. But as we grow, we have new opportunities in our company. I think you have to have that to attract and retain good people.”

On the biggest challenge

“We’ve taken care of everything else and now our biggest challenge is to get that new customer to pay attention to us—to get that person in the door. When I started in 1962, we had virtually no competition. I don’t think the independent is done but it is so much harder today. People say to me, ‘You don’t have to worry about the big discount chains; you sell much nicer stuff.’ Well, you know what people are buying in those stores. Look at their parking lot. You see Lexus Mercedes, Lincolns, etc., parked there. They’re probably my customers. I think everybody is my competition.”

Rusty's Relationships

Frances
Kahn

*"You can change the ways you do it,
but don't change what it is."*

Rusty Lester is CEO of Frances Kahn, a full-service Virginia retailer of high-end women's apparel. The company operates three stores, each about 5,200 square feet, and employs 40 people.

On changes

"We try to anticipate change and stay on top of what's happening in the world. I hold a close relationship with my customers, spending a lot of time interacting with them. This serves many purposes. One is to keep on top of what people are thinking and understanding why individual buying patterns change. Is it a response to bad economic news? Is it a response to what's going on in their personal lives? We serve high-end customers and I think they are more affected by emotion and perception. That's why I spend so much time with them. The reality of the world around us changes rapidly but people don't change as fast.

"Things around us are changing faster and our industry is changing dramatically with consolidation and lack of creativity on all sides of the world. Consolidation has created some powerful brands. I think we would all be better off with more competition. With more competition, the manufacturers would get better, we would get better and the customer would be better served."

On specialty stores

"There seems to be recognition today that specialty stores are important to the solidarity of the industry. In decades past, specialty stores were up and down, in and out of business. There was tremendous turnover. Smart manufacturers now recognize that those of us who have remained are important to the growth of their business. We use this fact to our advantage. We are now able to say, what can you do for us? Let's be partners. We are developing stronger relationships, getting extra margins, planning special events that heretofore we were not able to do. With so much business easily available in the past, these things didn't matter to manufacturers, but as things got tighter, it matters much more now.

"You have to work at it, but we see more and more manufacturers, here and in Europe, doing more things to attract the small independent specialty store. One of the reasons for this is the attrition in department stores. Department stores, with their many demands, have caused manufacturers to realize they need to find new avenues to remain in business and be profitable."

On advertising and marketing

"Our advertising has not changed much. We use a lot of word advertising to tell a story. I believe in emotion, in appealing to the emotional side. The world is inundated with pictures. What we do is different from what other people do. The strength of our business is word of mouth and so we try to appeal to the emotional side to get people in the door.

"I think it's important that your customer understands that you feel emotion too—that's it's not all about the money but about them. We like to react to what's going on in the world and show our humanity. In a world filled with vivid images of fashion, I don't think people respond as much as they used to respond. Our advertising approach is a differentiator for us."

On Information technology

“We were very early to computerize but have been somewhat slow to use the information as well as we can. I’m still trying to find the right kind of website concept for us. But information technology has helped us know more about our customers and we’ve developed a good mailing list. We are always trying to add new people to our list and it’s a challenge. In today’s world we always need to replace customers. I’ve had to learn a lot about technology because it’s rare to find someone from the outside who really can understand your business and what you’re trying to accomplish.

“Information technology has created more openness and more accessibility for our employees to know what’s going on in our business and the industry, for that matter. It has helped in making things easier to deal with.”

On service

“Service is the key component to our business. It is very hard to do. Keeping people is difficult, although we have done well in this regard. The key is finding people who really share in your vision. People in our industry can always make more money doing something else. So you have to be lucky enough to find the people who can share your passion.

“I’m so personally involved in making sure our customers are cared for that our employees see it every day, head on. They see good service in action. It’s hard to write about good service or read about it in a manual. And it’s hard to teach it. But you can show it. The downside for me is that I sometimes get too involved, and don’t have the time to do other things that can be equally important. But it is the life of our business. It’s a steady factor that has never changed. We make it a pleasure for our customers to shop in our stores, always.”

On a focused store concept

“The concept of our store is to sell a lot of things to an individual customer. So all the merchandise is pointed to our particular demographic individual. Everything we have should appeal to that targeted person. What’s most important is how they put everything together, and so that’s the focus of our salespeople and the customer is brought along with that point of view. We keep our focus conceptual rather than product specific. It’s a service concept, a fashion experience rather than an item purchase.”

On competition

“In my younger days I hated competition and now I like it. I understand it. The reason we’ve survived is because we have often tweaked our concept but we have never changed what we’ve stood for. In this past year we had two major department store chains come into our area. We wondered, how are we going to survive? They opened. We decided to get sharper in doing what we do. Interestingly, the competition made our consumers more aware of what we do well. It broadened their horizons. Competition makes us, as small entrepreneurs, do things we need to do but don’t always do until the bar is raised. If we do our job well and keep our focus, we know it works. We can’t worry about the other guy.”

On the greatest challenge

“I think growth and how to grow is the greatest challenge. Bigger is not always better but you do need to grow to survive. I’m still learning how to make growth work for our company and myself. It’s important to not let your business get out of control as you grow. You can’t let ego get in the way.”

On advice

“Business relationships with your industry are more important than ever. It’s harder to start and survive today than years ago. There is much more competition. You need extra margins and help to make it easier to survive. You have to see the importance of this and work those relationships at every level. You have to make yourself important to all those people you do business with.

“And you have to maintain the retail concept that has made you a success. Don’t let what’s happening in the world change the vision that you have. You can change the ways you do it, but don’t change what it is.”

Nan's Necessity

“Experiment, experiment, experiment.”

Nan Napier is the owner of Tres Mariposas, a single-location, upscale women's fashion apparel and accessories business located in El Paso, Texas. She has owned the business for 25 years and currently employs 20 people.

On challenges and changing

“We currently do about \$3 million a year and have been stuck on that over the last five years, much to my irritation. We currently are undergoing some changes in the size matrix we offer as a result of looking at and understanding demographic trends and looking at some specific situations where individual customers' purchases had declined dramatically over the past couple of years. We found many of our good customers had outgrown our sizes. We looked at year-to-year comparisons of sales by customer and turned up some interesting information we were not aware of. We are tracking our customers carefully. We changed the software we used to allow us to do this much better.”

On advertising

“We have increased our focus at both ends of the spectrum—that is, reaching a mass audience with TV and reaching one person at a time by spending a little more money directly on our best customers, giving something special to our core group of best customers, things like invitations with enclosed gifts. We also do newsletters to our entire list. We do a lot of business with Mexico because we are a border town. It accounts for about 5 percent of our customer base but about 35 percent of our sales.”

On product acquisition

“We have had to change our lines as they became more saturated in department stores and would often have trouble finding something to replace them. But now, there seem to be more available vendors who are more geared to what we need. They are seeking specialty stores because we are more profitable for them. They are producing good product that can easily compete with the bigger guys. Vendors during the last year have been more helpful. They seem to have a different attitude toward specialty stores. I think they have found they need to do a really good job with the bigs or they have to do a really good job with the smalls. I think more people have realized that the specialty store segment can be highly profitable.”

On information technology

“For small or big people, change is a pain. When you are thinking about making a technology change, you wish you had a technology department you could assign it to, but small independents usually can't do that. So you have to get your own head around it. You have to stay up to date. Our website is helpful. We've had it for four years. The initial investment was modest and the advertising people we already worked with were proficient in it. I already trusted them and they did a good job. I would not want to be without it but it has not done that much for me in terms of generating specific returns I can measure. We are just beginning to test online sales but we're in the fashion business and not the replenishment business. I think the products people order online are more about basics and replenishment.”

On customer service

“I think we do as well as anybody but every small businessperson, I think, wishes they did better. We do a lot of training. We have once a week sales classes—workshops, information exchange, mentoring, etc. We have to keep our people really on top of trends and product information. We talk about what’s new all the time. Our customers are very well informed. What’s good and bad about our high level of service is that we have salespeople who have developed such a relationship and rapport with our customers that if they left we would lose some of our customers with them. In effect, our good salespeople have their own small business.

“Staff development is an ongoing challenge. It’s easier to find products and do many of the things we do, but finding the perfect people and making our customer service better is much harder. The better our staff gets, it raises the level of whom we attract.”

On management capability

“I was a CPA before I started in the business and have always been financially conservative, so it’s always been a given for us. I’ve always been a learner and really enjoy the continual learning process. I joke about starting a consultants anonymous group because I use so many consultants. I read a lot, go to seminars, etc. and I travel quite a bit. I think it’s helpful from a management standpoint. As a business owner, the business trains you to have both a short-term and a long-term focus. I view it as a natural outgrowth of my job.”

On advice

“Experiment, experiment, experiment, and repeat those words every day. I do more of what works and less of what doesn’t.”

Ron's Rules

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“Customers come to an independent because they expect knowledge and service.”



Ron Romero is president of Schaefer's TV and Appliance Center in Lincoln, Nebraska. For over 50 years, Schaefer's has been delivering the latest in TVs and appliances from one retail location. Today Schaefer's is considered Lincoln's digital destination. Mr. Romero is a past president of The North American Retail Dealers Association.

On spotting trends

“We've gone the full service route. In electronics, we've been very aggressive in selling the high definition products for several years. We jumped on the bandwagon immediately before the box stores. That set us apart and set us up as we call it 'the digital destination.' When the high definition sets became available they were on the market before the broadcast signals. But we had a generator that simulated the high definition pictures so people could actually see what they were like. A better picture for cable and DVD and, of course, ready for the coming future broadcast high definition signal. Now we have signals in our area.

“We made the decision to do this because we wanted to do something before everyone else and we knew it was a product of the future. We have always done this starting from the beginning when my dad got into television when it first came out and then got into color at the beginning as well. We've always tried to have something to set us apart. We realized that people were stepping up and wanting the latest technology. And it's not just the picture but the sound systems as well.

“We have a very large service and repair department that's a big part of our business. We do a lot of custom installation—something our customers want. When they buy from us, it's a one-stop, no-hassle process from purchase through installation. We're selling convenience.”

On advertising

“We try to cut through the advertising clutter by doing what we call theme advertising. I'm very involved in it, doing my own TV and radio commercials to set us apart from competition. It may not be as polished as national accounts, but when you see one of our commercials, you know it's our company. We try to come up with different concepts, themes. We're not talking sales. We talk about benefits.”

On price and competition

“We belong to a large buying group—been in it since the early '80s. We buy through the group so we have national programs with the major manufacturers. The manufacturers treat our group as a national account. That helps put some parity into pricing. If we did not belong to a group some lines we want would not be available to us. We do not try to go head to head on price. There's no advantage there, so we stress the advantages of doing business with a local, service-oriented company. I am very active in the group. Our members get help with training via video, meeting seminars and the Internet—it's a lot of education and best practices sharing.”

On price transparency and customer knowledge

“It’s a challenge but a good one, because people are more educated on the products. We have an extensive website with links to help our customers learn more. And so, our salespeople do have to be more knowledgeable. We view all of that as positive. When consumers come to an independent they expect more. They go to an independent because they expect the knowledge and the service.”

On hiring good people

“It’s harder today to find good people and so we are doing new things. We do a lot of advertising on the Internet for staff. For example, we posted on a national site for a service manager and we found one in Chicago. He and his family moved to Nebraska and it’s been a good fit. The possibility of using the Internet to reach people has really helped.”

On management skills

“We’re going through strategic planning now. NARDA has put together what they call their ‘Vision Program.’ We meet for several days with other retailers and other facilitators. We’re working on a strategic plan. It’s a challenge for small businesses. Many do not do it. We made the decision to spend time on this because we kind of saw ourselves as going down a dead end if we didn’t. In order for us to grow we thought we should go through a disciplined process to take us to the next step. Part of this will be family planning and succession planning.”

On advice

“Be able to work your business and not work in it. Be able to step back and look at it. Today, too many people are playing the role of fireman—putting out fires, wearing different hats. You need to ask: Who is running what here?”

Darryl's Decisions

“We’re constantly trying to re-engineer our business. We’re very successful but there’s nothing so special that should be beyond our examination.”

*Sam’s Wine and Spirits is a Chicago-based, 33,000 square foot superstore and a leading national retailer. Founded in the late 1940s, this family-owned business is in its third generation. The company is positioned as “the world’s wine superstore” and “the single leading beverage retailer in the world.” Sam’s sells wine and spirits, accessories, gifts and gourmet foods. **Darryl Rosen** is one of the third generation owners.*



On watching everything

“It’s very clear there is a lot of change occurring in all industries. In ours, there is new competition in terms of emerging large discounters and grocery stores increasingly getting into the wine business. There is market consolidation of distributors. There are also all kinds of regulatory hurdles one has to overcome just to do the simplest of things. We have to look at all of this all the time. As an independent that is in a stage of expanding the business, I feel we have to watch and stay on top of everything more now than ever.

“There is no such thing as micro-managing. Yes, you have to delegate and give your people the ability to grow but that does not mean you don’t have to watch everything very closely.”

On IT and the Internet

“Our business over the web and through email offers has gone through the roof. Internet technology has enabled us to get the word out about new offerings to our customers more quickly and more easily than ever before, and to get their business right away. To do this, we’ve had to make investments to improve our systems so that we have high-speed data connections. It is a lifeline to us now. Our email reliability is as important as our telephone system.

“We have just upgraded our Internet redundancy so that it will go out from two locations, Chicago and Houston, in case the Chicago area was to go down. We’ve also upgraded many of our servers on all sides of the business and we’ve hired a full-time technology person. I think we are in pretty good shape when it comes to IT infrastructure and we are fairly advanced in our category, but thankfully, we have not spent as much as what one might think in terms of a percentage of sales basis.

“Interestingly, our decision to embrace Internet communication came from a situation with a 2000 Bordeaux vintage that sold in 2001. It was an historic quality vintage and we felt that the ability to contact many of our customers immediately would be incredibly helpful. Nine years ago we would do fax offerings and it was hard to get information out quickly that our customers could act on. We have a rewards program with about 40,000 people enrolled and we’ve captured their email addresses. We have all kinds of ways in the store to get customer information. We have over 100,000 on our list of people who have asked to be on our list.

“One challenge we have is to use this list better and spend more of our advertising dollars on the list to try to increase business from these customers. One specific thing we’re doing right

now is looking more closely at the people who were added to our database in a given month; to see what percentage of those people placed an order in the month they were added. We found we had a high percentage. And that meant we had a lot of people initiating action and not just being on a list for the sake of being on it. We decided that the remaining people who did not place an order should be contacted with some tailored offering.”

On advertising and marketing

“Our biggest change in this area is that we have dramatically cut down on our catalog printing and mailing. We have figured out it is so much more efficient and effective to reach customers on the web. We have not decreased our ad budget. It continues to grow, but we have reallocated much of it. As an example, we sponsor a radio show that broadcasts a wine minute. It’s the right demographic and with the addition of our second store, we’ll get some increased economies of scale.”

On product sourcing and vendor consolidation

“We’re in the midst of studying this subject. I’m continually amazed at looking at our wholesale distribution channel and seeing what they want us to buy and how little margin they expect us to make. So we are revisiting this and changing our strategy about how we want to deal with our distributors. We bring in a lot of wines directly from Europe now, including our own brands. We also make wine in California. We have projects going on around the world. It’s very high quality and the margins are great. We are also looking at our normal business a lot more closely now. If we’re not going to get the appropriate margin on an item, we’re not going to emphasize it as much. When you start to get better information and look at the numbers more carefully, inventory turns, etc., it shows you how you have to change.”

On positioning and re-engineering

“We’re constantly trying to re-engineer the business. We’re very successful but there’s nothing so special that should be beyond our examination. And when you’re expanding, as we are, you’re changing the business model overnight.

“We tinker with our management capability all the time. There are no absolute answers, no totally smooth days. We are always talking about what we need to do to compete. Our infrastructure has gotten a lot better. I have a good team and I’m in a position now to spend more time away from the day-to-day, to work on ways to make the business better. The on-the-job training we get here is so much more valuable than the formal business education.”

On service delivery and employees

“We’re working on employee orientation and training with consultants and spending more money in this area. We want to get this aspect up to speed—beyond where we are today. This includes everything from providing a simple employment terms letter to having selling skills training seminars.

“There are a lot of highly educated wine consumers and there’s no question that our people have to be better educated on many of our products. Sometimes it’s not so much about how much our people know, but more about how they handle something that they don’t know.”

On advice

“It’s very important for independents to manage their advertising and payroll costs. It’s very important to keep strong financial control of your business. There’s never going to be any shortage of issues that independents have to deal with. Differentiating your business is the key.”

Bobby's Big Idea

“We would spend a whole day learning about the best new ideas....We're always looking.”

Bobby Ukrop is a second-generation chain grocery store retailer headquartered in Richmond, Virginia. With 28 stores, Ukrop's “takes every step...to bring people what they want most from a store—especially convenience.” Their stated business purpose is “to create great shopping and working experiences by sharing our passion for food in a fun and dynamic atmosphere.” Ukrop's was recently named as a “Fortune Top 100 Companies To Work For” recipient for the fifth year in a row.



On share groups

“Many retailers are too busy working to look ahead, busy taking care of their customers. That's why, over the years, we've always spent time looking at what others were doing. When my brother first became involved in some industry activities, he gained exposure to other people by visiting stores in other parts of the country. Also, we have both served on the Coca-Cola Retailing Research Council, which enabled us to meet even more food retailers by traveling in Europe and in other parts of the world. Idea exchange is a key part of the CCRRC experience. Ukrop's leaders are involved in a number of share groups, which will spend an entire day exchanging ideas. We recently joined another group consisting of large food retailers. They like having a small operation in the group because we are generally perceived to be innovative. We bring some ideas they otherwise might not hear. And we have other friends within the industry who come to visit us and we visit them.

“These share groups visit and critique each other's operations through a different set of eyes. We value their feedback, and we all benefit from constructive criticism. It's been an important part of our ongoing success. Plus, when you develop a reputation for innovation, consumer packaged goods companies often want us to test new programs. For example, we were the first food retailer in the country to have a customer loyalty card, and now many companies have loyalty card programs.”

On customer data use

“Ukrop's Valued Customer card provides us rich data, but for years we weren't using it well. We're getting a lot better at it now. What it's really about is better targeting our efforts with our customers. It's not just about deals but developing affinity groups, whether they are baby clubs, senior citizens, pet owners, etc. We have now created an affinity group of our 5,500 associates. Each associate has an Associate Card, and this card allows us to ‘flip a switch’—like if we want to give a free pizza to everybody. In the past, we had to make a coupon and pass it out with paychecks, but the card allows us to distribute the offer electronically.

“Coke is rolling out its new C2 drink, and we're giving one to each associate as part of the introductory promotion. This simple offer presents us the opportunity to attract young people by giving them the chance to try things ahead of time. Additionally, we have a number of other promotions involving product education planned for this summer.

“My point is that the Ukrop’s Valued Customer Program can now provide additional rewards and services as well as affinity benefits, and we are going beyond just the traditional affinity groups. We keep looking for new ways to provide value.”

On community service

“I see what I do as a ministry, by having an ongoing commitment to serving people. It just happens that my business is the supermarket business. The community support we provide reinforces the business, but the business is really about trying to provide great life experiences for our associates—no matter their life stage—so they can then provide great service to others. It’s the way we have always operated. Our ‘servant leadership’ model is who we are. Some people look at community involvement by how many events or projects you sponsor; I view it as how many young people are we preparing for the workforce that will include Ukrop’s alumni who will go on to do great things. Many independent retailers do great things every day to help people and they receive very little credit.”

On associates and superior customer service

“We have not done as good a job as we can on career pathing, so we are now making a special effort because we need to improve. Of about 5,500 associates, 15 percent are high school and college kids and 170 people are ages 70-79. We also have 57 people who are 80+. We have people working for us from age 16-88, and many of our retired people have worked for us for 20-plus years. We have very little full-time turnover. We are big on recognition and strive to create a great atmosphere for work. For example, we have 120 young people receiving \$1,500 renewable college scholarships. Again, it’s who we are and what we do.”

“We applied to the Fortune 100 program because we wanted to test ourselves. The real benefit was in the application process. Based on Fortune’s survey results, we were able to see we weren’t as good as we thought we were, and we identified opportunities to improve our workforce. For example, we decided to make our registration programs for promotions more visible and open. We sponsor trips for our associates to New York City and visit other food retailers. Recently we gave each of our managers \$25 to go out and buy a different and interesting specialty item. Then, we gather to discuss the items and talk about what we learned.”

On advertising

“We are trying to acquire more email addresses of our customers. It’s a good way to communicate with them. It’s very hard today to get through the ad clutter. We do a lot through receipt messaging. We find that we can deliver offers and information better than more traditional ways. We don’t use advertising on the back of our receipts. We message on the front. We recently had a pharmacy offering, using both direct mail and receipt messaging. The receipt messaging was less expensive, and we achieved better results.”

On advice

“Try to play your game and make sure it makes sense for your customers, but never have your head in the sand.”

“When the external environment changes, everything changes, and you have to be mindful. If you are really interested in your people, you can do a lot better than you think you can. If somebody is under-performing, take the time to understand why. Take time to know what’s important to the people working with you. People who care about people achieve good results. Become engaged in an industry association and a share group. Keep your head up and your eyes open. Visit and listen to people; you’ll learn a lot.”

John's Gems

"We were trying to be everything to everybody and we were becoming nothing to anybody."

John Wohlwend is president and CEO of Jack Lewis Fine Jewelry, a single-location Bloomington, Illinois, jewelry retailer. The company was founded in 1927 and now features one of Central Illinois' largest collections of diamonds, fine jewelry, luxury watches and colored stone jewelry. The store also features a full-service laboratory for gemological identification as well as insurance documentation and evaluations. The service department is an integral part of the business, including remount, design, and repair departments.



On beginnings

"I came to work for Jack Lewis in 1973 and this past October I celebrated my 30th anniversary with the company. The company went into family trust in 1986 and I began to manage it. My wife and I bought the company in 1993 and at that time we consolidated two stores into an anchor location in a strip center. We were a full line, old time jewelry store with all the tabletops, 300 different lines of giftware, etc. I took that operation and changed the culture of the company to focus on what we did best: diamonds, watches and fine jewelry. We are full service with 13 employees. We now do a tremendous business with diamonds for our demographic customer group and we do a huge business in the anniversary market."

On initial change

"Tabletop at one point was a very lucrative part of a retail jeweler's business. With that came a whole series of price comparison shopping and attendant problems. We literally would have clients who would register their daughters with us and then tell us what they expected to pay for a certain item. We would have a lot of call-in business, requiring me to take a clerk off the floor to take calls, orders, and shipping, etc. It became a real negative cash flow situation considering that in less time, the same salesperson could be selling a \$4,000 bracelet. We were trying to be everything to everybody and we were becoming nothing to anybody. We decided to quit being so diverse.

"I'm a big reader of business books. I belong to a book group with seven other guys and we've read over 400 business books over the last ten years. One was *Focus* by Al Ries. I had accomplished our business refocus before I read the book but after reading it, I felt really good about what I had done."

On price and product knowledge transparency

"One of the changes that's huge in our industry is the Internet. We are getting a lot of very well-educated buyers who make intelligent consumer decisions. I look at the Internet as a help rather than a threat at my level of the industry. Our industry has a number of subsets. The warehouse clubs and Internet sources are price competitive. Their customers are willing to buy a diamond at a warehouse club or over the Internet from someone they have never met before. But at our end of it, when we have a client come in who's done a lot of research, it's a good thing. We have the opportunity to spend a lot more time with that kind of client and can build a stronger relationship. Our salespeople are very knowledgeable. They are all GIA (Gemological Institute of America) graduates; all have diamond-buying experience. They know we

have a very sophisticated customer. I focused the store to deal with that kind of client. So the education available on the Internet helps put our customers on the same level as our staff.”

On service

“My partner in the store is someone I hired as a sophomore in high school. I have two goldsmiths, one of whom I hired 23 years ago as an apprentice. I have a sales manager who has been with me for 18 years. I have not hired or fired anybody in the past seven years. I do not use seasonal help. We just increase everybody’s hours over those busy periods. At our level of service, you just cannot hire part-time people. It’s just not effective.

“I belong to an independent jewelers organization that has a show that travels around the country. Just last week the show was in Chicago and I decided to close the store for a couple of days and take my entire staff to the show. I put an ad in our local media saying we would be closed Saturday and Sunday for professional development and that we’d be back Monday better than ever. It was an opportunity for all of us to do something valuable together at the same time. On Saturday night we had a company dinner for 36 people. I surrounded my staff with some of the best people in the industry—vendors from Belgium, DeBeers personnel and other retailers. We mixed everyone up. It was a great team-building experience and very educational. Most of my customers couldn’t believe we would do that, but it turned out to be a great marketing message.”

On advertising and marketing

“A lot of our marketing is centered around events in the store—fundraisers, chamber business before hours, receptions, etc. We bring a lot of people into the store for these events. We have a 3,000 square foot showroom so we can host some large events. I look at this activity as a whole lot more effective than traditional media advertising, but we do include some traditional media like radio sponsorships, co-op print advertising with our manufacturers and some billboards, etc. The mix has been effective.

“A few years ago, I did a radio promotion by sending a radio disc jockey over to Belgium with our buyer and they broadcast live from the selling room floor. It was a tremendous success. They picked out a diamond and we had a drawing party at the store for almost 300 people. People would call in to the radio station to get into the drawing. It was an even trade with the radio station. They got the promotion and it only cost me a plane ticket and room and board for the disc jockey.”

On product sourcing and acquisition

“At our end of the business we don’t not have much of a problem. We have the best lines and they want to be in a store like ours. We have geographic protection on a lot of our lines, like Rolex watches, for example. There are only four Rolex dealers between here and St. Louis. We have carried the line since 1947.

“But some brands have broadened distribution and it can have a bad effect on our business. We had a couple of lines that did that. A few years ago a luxury watch brand took parts of their line and sold to discounters. Then they came to me and said, ‘You don’t have a problem selling a \$1,500 watch.’ I said, ‘I don’t until the same line at \$300 is discounted. I won’t allow a watch to be discounted in our store.’ We parted ways because I told them I’m not interested in carrying a line that has to be discounted.”

On information technology and the Internet

“Our Internet site is not a selling channel. We provide information about what we are all about and facilitate email communication. I’m proud we have it and we put it into our ads. Our IT systems are quite good with inventory controls and reports and customer information. I have lots of information at my fingertips. We identify our best customers and I can dissect our mailing list in a zillion different ways. In some of our exclusive designer lines, we’ll have that designer come into the store and we will host lunches with those customers or do a trunk show. It’s a great marketing tool. We do different kinds of parties for different levels of customers.”

On management capability

“As far as leadership is concerned, I started running the company at a very young age when the company went into family trust. With that I grew up in a hurry. I learned I would have to work on the business rather than in the business. And that’s what I do today. I realize my staff can do a better job at an hour presentation of a diamond than I can, and I realize I should not be spending my time on that part of the business.

“I do a lot of traveling and work in the industry quite a bit. I surround myself with the best people I can find in the industry to learn new things. My industry activity and my community activity are ways for me to give something back. I enjoy it and it helps me make our company better. I enjoy the networking. The return on these activities is ten-fold.”

On challenges

“We have a perfect demographic profile in our area for our kind of business. I do wonder about if and when a box box store will come into our area. I am proactive in this regard by continuing staff education the way I do, by continuing to do a lot within our community and by continuing to be involved in our industry associations. A lot of the critical challenges we’ve faced, I’ve put behind us over the past ten years to get us to where we are today. But we keep executing our plan to remain strong.”

On advice

“You need to give your staff decision-making capability and responsibility. You are only as good as the people who work for you. Your people are your greatest asset. The staff makes the company. I’m different than a lot of my colleagues who believe they have to be involved in every sale that happens. I don’t want to do that. That’s the way I run my company and it’s been successful.”