It's OK to Fail (… a Little)!

By Stan Pohmer

Small businesses are always looking for competitive advantages over their major competitors. And it's getting tougher to find these. In many cases, the products in both their assortments come from the same suppliers, the service levels of the big guys is becoming comparable to that of the independents, both are using social media to communicate to their customers, and the big guys usually have a price advantage due to their lower operating costs/ overhead and volume buying clout.

So where does that leave the small business in the search for competitive advantage?

Early in my retail career, I was fortunate to have a mentor who was one of the best merchants I ever had the pleasure to work with.

The lessons he taught me are just as relevant today as they were back then, and can be employed by independent retailers as competitive advantages if executed correctly.

Think about these to see if they fit into your business environment and strategies:

- **Speed is Life:** The ability to be first to market, the first adaptor, is a huge advantage. If you beat your competition to market with a new product or category, you can set your own (higher) retail price because there is no one else to compare against.

  You also get credit (from your customer and the trade) for being a leader in "new," "innovative" and "unique." Recognize that there is usually only a short window when you have this "exclusivity" position, so maximize your results quickly.
- **Ready, Fire, Aim!:** Most people work a plan to perfection before finalizing a new program or introducing a new item or category. The problem is we also tend to over-think and over-analyze before pulling the trigger, losing precious time and that exclusivity window.

  My mentor advocated the 90 percent rule, meaning you should implement the program when it was 90 percent complete in the planning/implementation stage, recognizing that you'll have to fine tune the program once it's rolled out (and chances are some of the assumptions you made in the original plan would have to be adapted to the real world after implementation, anyway). Try this one; you'll be pleasantly surprised with how much time you save.
- **Be Flexible and Adaptable:** Nothing kills a business faster than following your "perfect" plan to the bitter end, even when all of your plan assumptions, the weather, external forces (e.g., economy, new regulations) or competitive pressures change. A seasonal or annual plan is meant to be a guidebook, a road map to help get you to your financial destination.

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  Recognize that there will be detours that will require you to modify and adapt your original thinking. Be flexible with your category open-to-buy so you can support growth categories and minimize your risk on others, adjusting markdown timing as needed.
- **Be Opportunistic:** As part of your inventory planning budget, always try to reserve some dollars for opportunistic buys — those unanticipated special deals that become available in-season that you can offer to your customers as a great value.

  Growers may have some overstock, or a few endcaps worth of product they were trialing that they would love to get some retail/consumer feedback on. While a single buy might not have meaningful bottom line impact, the cumulative effect of running a few of them each season will, and also reinforces your "new," "unique," "innovative" image.

Another lesson I've learned is that the biggest impediment or obstacle stifling creativity and initiative is the fear of failing.

No one is going to try something new and out of the box or try new display methods or create new signage or new marketing communication channels (e.g., social media) if they know they will be criticized/chastised if it doesn't work as "the boss" expected it to.

If your company culture is based on "don't fail," you will be leaving sales, profits and creativity on the table, stomping out initiative and disempowering your team.

Modern management philosophy reinforces this "don't fail" culture by advocating the celebration of success stories in team huddles and weekly meetings.

While I agree that these celebrations are important, I also believe we should likewise share our "failures" with the group as a learning opportunity.

Besides identifying what went wrong or how we can turn these failures into success stories, you're also empowering and giving permission to your team to try new things, tapping into new energies that can become one of your new competitive advantages!

Employees will embrace an "OK to fail (a little)" philosophy pretty easily; it's the managers who usually have the hardest time adapting to it.

Plan for a few "failures" in your financial budget, encourage your employees to act independently, maintain oversight to make sure that the "failures" don't break the bank, and use the "failures" as learning tools to improve your game.

At the end of the day, you'll see that the upside to this culture change far exceeds the downside.

It's OK to fail (… a little)! Try it; I think you'll be impressed with the results … L&GR

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