

Rules of (smaller) Numbers



By Stan Pohmer

Today's reality isn't pretty, but by adjusting to the new rules and new playing field, your business can still stand strong tomorrow.

There's no greater indicator of the retail economy's chaos than looking at the sales (or lack thereof) generated during the holidays: Sales were down anywhere from 5½ to 8 percent, the worst performance in 30 years. And the impact was felt across the entire spectrum of retail venues and consumer demographics; the only retailers with positive sales were price value-focused dollar stores and Walmart. (And almost all of Walmart's growth was driven by food, not general merchandise, which also experienced negative growth.) Even Internet merchants posted negative sales performance of 3 percent, the first time in history it's come off its traditional 15 to 30 percent growth rates.

These depressed holiday sales figures were a direct reflection of the lack of consumer confidence; this indicator reached an all-time low since its inception in 1965. Traffic counts were down too, with a reported 17.7 percent

panies it follows are either facing major financial distress or will face a significant risk of filing for bankruptcy in 2009 or 2010. Does this mean doom and gloom for the independent garden center market? Well, there will probably be some gloom to deal with, but not necessarily doom — if we face the realities and adapt our businesses to them.

New World Order

I think it's safe to say that we're now dealing with a new consumer mindset, one that is more focused on the price element of the value proposition, and one that questions the need for the purchase. Unless they can clearly see the personal and financial benefit or payback for their investment, they'll most likely defer the purchase. We're entering the "Age of Frugality" where cheap is chic.

So the realities we'll face this spring are:

- less store traffic, fewer customers
- customers who do come to your store will be challenged to buy as much as in past seasons.

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decrease. Even heavy discounting across all product categories couldn't entice consumers to open their wallets, and the nonessential categories suffered the most.

And the current forecast is that the economy and consumer spending won't get much better in 2009, with little chance that we'll see any improvements to positively impact our peak spring sales period.

All this chaos adds up to extreme pressure on retailers for survival. AlixPartners LLC, a consultancy that tracks retailer performance, recently reported that 25.8 percent of the com-

'Rules' for the New Reality

More than ever, focus your marketing efforts on your current customers, those whom you already have a relationship with. Market to them with a vengeance through direct online mailings, offer incentives and make them feel both appreciated and special.

Establish and communicate the intrinsic need for your products and the benefits the products offer, not just a price point.

Consumers will likely be scaling back on the quantity of product they purchase. If they bought four hanging baskets last season, they may purchase only two this year. This being the case, consider making sure those two baskets that they *do* buy are upgraded/value-added by displaying drop-dead, knock-your-socks-off quality and color. You may not move the same units as last year, but the average dollars per transaction should be higher if you have the quality to show them. ♦

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Add on to sell success and satisfaction to the consumer. Train your team to seize every opportunity to sell items such as fertilizers and containers that will add value and help consumers get the most enjoyment and success from the product they're purchasing. Unless you can demonstrate the benefit of the add-on sale, it will be viewed as pandering, so make sure you explain the real benefits of the add-on items.

Be realistic in your expectations. You can't wish the sales to happen when the economy and the new consumer mindset are working against you. Keep your inventory lean and working for you, not you for it. This is the year when it will be more prudent to chase unexpected sales rather than plan for them and have to deal with discounting surplus inventory.

Position Yourself to Thrive in Better Times

More than ever before, be sure you make a reasonable profit on everything you sell. With the reality that you'll probably be selling fewer units, you won't have the luxury of making up lost profit on the next sale.

This year is shaping up to be the toughest our industry has ever faced. But if we understand the economic realities and the challenges of the new consumer behaviors and make the neces-

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sary changes to our businesses, we can survive and position ourselves for the growth stage when the economy recovers. ☞

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