Retailing Strategy

WHAT YOU WILL LEARN

- How to dominate your marketplace.
- How to set meaningful goals for your business.
- How to define your target customer.
- How to assess your competitive strength.
- How to develop an internet strategy.
- How to minimize your business risk.

"The last thing the market needs is another retailer who's just like all the others."

A successful retail store is nothing more than a series of well connected and thought out plans, ideas and processes. For the winning merchant, the concepts covered in this chapter represent the foundation of a long lasting, sustainable retail business.

As retail moves forward, good planning and analysis is more important than ever. Increased competition, changing consumer expectations and shifting economies make the status quo an inevitable kiss of death. If you fail to plan ... then plan to fail. For those who are just standing still, the world is passing you by ... not slowly, but faster than ever before.

This chapter will force you to look at your business objectively. Be painfully honest in your examination. Successful retailers truly understand and plan for every part of their business. For them, nothing happens without a well-conceived plan. Knowing where you're heading, and why, will unlock your future potential.

CREATING YOUR STRATEGY

*✓ **Tip***
Competing against a big box retailer? Find a gap in their product/ service offering and fill it. Become a true specialist.

The retail marketplace has fast become the domain of those who know how to use core strengths to dominate. Successful retail strategies are based on four primary areas:

1) Product Selection
2) Convenience
3) Shopping Experience
4) Price

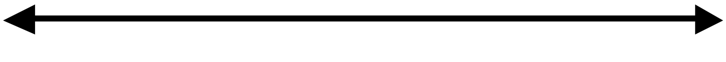
To succeed, you must dominate your marketplace using one of these strategies. A second strategy must also be well supported by your retail concept. Let's look at each of them in a little more detail.

1) Product Selection

To dominate your marketplace based on Product Selection, you must have either the largest and widest selection of a product category imaginable (think Home Depot), or merchandise that is so unique people will seek you out (think Build-A-Bear Workshop).

The reality is that very few retailers have the resources to dominate the market based on a vast product assortment. It requires a tremendous amount of retail space, and even more financial resources. As well, the market continues to sub-divide and become more specialized. What once were merely departments within a Big Box store are now Big Box stores on their own (think Home Sense).

You need to determine where your product selection fits on this scale:



Convenient	Competitive	Dominant

If the majority of consumers think of your store first when they're interested in your product category, then you are the dominant player based on Product Selection.

Does this sound like you?

✓ *Tip*
Many small retailers seem to be open mostly when their customers are at work, and closed when they have free time. Make sure you're open when your customers have time to shop.

2) Convenience

Many retailers establish their position in the market based primarily on their Convenience (think of convenience stores and many pharmacies). Convenience is achieved predominantly through one of three avenues:

(a) Location: Your location is the closest and easiest one for your customers to find.

(b) Hours: Your extended hours (e.g. 24 hours) makes you unique.

(c) Mass Assortment: Your product selection includes ancillary items that appeal to your target customers. (Customers buy them while they shop for other goods.)

3) Shopping Experience

Let's face it ... most retail shopping experiences are boring. This strategy involves the creation of a shopping experience that is not only positive, but (more importantly) memorable. It encourages word-of-mouth marketing.

Numerous retailers have created successful concepts based on Shopping Experience (think Rain Forest Café, Indigo and Chapters).

Your Shopping Experience strategy will be driven by two important factors:

(a) A unique, exciting and inspiring store environment.

(b) Staff that provide exceptional entertainment and service.

4) Price

✓ ***Tip***
A variable pricing strategy lets you match prices on competitively shopped items, and have a larger margin on items that are less commonly shopped.

It's pretty tough to achieve dominance in this area, but being the price leader is still a valid strategy. However, don't just think about being the low-price leader. The other end of the pricing spectrum also presents an opportunity (albeit a narrow and risky one).

Product, Convenience, Shopping Experience and Price ... in your marketplace, are you the very best in one of these areas? If you don't dominate at least one and perform well in another, you probably aren't having the success you need or want.

Let's examine the components of your store's strategy and discuss how you can become a store "worth shopping at".

Location

Your location is an essential element of your retailing strategy. For years, experts argued that the three most aspects of any retail business were:

1) Location
2) Location
3) Location

In Chapter 9, we thoroughly review the factors affecting your location decision.

✓ ***Tip***
Retail is a product-driven business. Service only becomes important when you have a product that your customers actually want.

Merchandising (Product Selection)

Merchandising drives the core retail business. If you don't have a handle on your merchandising strategy, then you're out of the game already. Chapter 2 takes an in-depth look into this area of the business. To quickly summarize your strategy options, consider the following choices:

1) Low-price leader ***versus*** Higher prices.
2) Narrow, highly specialized product focus ***versus*** Broader, more general assortment.
3) Basic, standard items ***versus*** Unique, leading edge selection.

Pricing

All retailers have a basic philosophy about how to price their products. What is more important is that they create and stick to a pricing strategy that conveys a clear message to the consumer.

The market has certainly developed a need for all retailers (even those at the higher end) to become more value-oriented. This doesn't mean that you must compete on price ... only that you provide the consumer with perceived value.

Here are some examples of value-pricing strategies:

1) **Frequent Shopper programs**

These programs offer future discounts to entice shoppers into becoming repeat customers.

2) **Regular pricing, frequently "on sale"**

The most popular strategy in today's market, creating a perception of terrific value. Consumers have now been trained to wait for these sales. When they buy only during off-price promotions, this can pose a problem for retailers.

3) **Added values**

In this case, regular pricing is used, but a gift is included with the purchase (e.g. buy one, get one free; gift certificate with purchase).

4) **Value lines**

These are generally private labels carried to offset the more readily known product lines. They provide the consumer with low, regularly priced items.

5) **Everyday low price**

This approach predominantly features discounted prices on all basic items. These products are no longer on sale ... they are always available at this low price.

6) **Price guarantees**

Price guarantees give consumers confidence that the price paid will be the lowest available.

Personnel

Retail is a business that is built on the skills, abilities, attitudes, commitment and dreams of people. Getting the best performance from the staff is a main priority for all retail managers. Your personnel strategy will greatly influence your success in this area.

Training is always a key issue, but it rarely gets the attention it deserves. For example, most retailers would agree that "sales and service" is their number one priority. Yet, less than 50% of their employees have ever had any sales or service training. How about you?

Training issues are reviewed in Chapter 7, but here's the main point -- unless you are engaged in some meaningful training activity each and every week, you're not even close to reaching your potential. Make sure that your strategy includes a major role for training.

✓ ***Tip***
Staff performance tends to improve the closer they get to pay day, if they are on an incentive program. Try paying weekly.

Pay and incentives play a major role in your personnel strategy. This is because they have the ability to influence both sales and profits in either a positive or negative way. The wrong pay system will de-motivate staff because of its lack of incentive, or it will drive up wage costs because of its poor design.

A properly designed pay and incentive program will drive sales upwards and will allow you to control wage costs, thus ensuring your profitability. Please note that caution should be exercised when implementing a new pay system for your staff. Moving from your current program to the wrong system will obviously have negative effects. Get outside input from other retailers or consultants before you proceed.

A whole range of other issues must be explored ... staff authority and decision making power, hiring procedures, orientation of new staff, performance appraisals, internal communication, and more. All of these are covered in Chapter 7.

In developing your competitive strategy, remember that you must strive to maximize sales and profits from every area of your business.

Promotion

Promotion strategies are discussed in Chapter 4. Once again, as in each area of your business, planning is the key issue. Running the advertising and promotion element by the seat of your pants is a route to disaster.

By developing a proper and well thought out promotion strategy, you can begin to gain control over your marketplace and the message you are sending to your target customers.

Service

Winning Fact
If management isn't fully supportive and leading the drive towards superior service, it just won't happen.

In Chapter 6, the required elements of your service strategy are reviewed. First, you must determine the level of personal service you want to provide in your business. Here are your options:

1) Are you a full service store where the customer is pampered?
2) Are you a completely self-serve store where customers are left to fend for themselves?
3) Or, are you somewhere in between?

Once you have decided, you can then determine what you need to have in place to make it happen. If full service is for you, then you need an abundance of highly trained staff, supported by a first class showroom with all the perks. On the other hand, if you aim for self-service the role of signage takes on tremendous importance.

Whichever path you choose, you must have a plan that covers the myriad of details involved.

SETTING YOUR GOALS

If you don't know where you're heading, how will you know when you get there?

People are goal-driven creatures. Give them an objective they can identify with and want to achieve, then stand back and watch them work. This is equally true in the retail world.

In setting goals for your retail business, you should consider the following:

1) The Owner's Personal Quality of Life
2) Sales
3) Profits
4) Customer Satisfaction
5) Suppliers
6) Employees
7) Image and Positioning

1) The Owner's Personal Quality of Life

✓ ***Tip***

If you want to have any life outside of your store, be sure to hire great staff who will do a great job when you're not there.

For the independent retailer, this is perhaps the most important issue to address. The business will succeed or fail based on the owner's values, decisions and actions. Accordingly, business objectives must support the owner's direction (provided, of course, that it is both realistic and sustainable).

Factors such as time, additional investment, change, new ownership approaches and personal finances should be addressed. Without the owner's full endorsement, the retail strategy will certainly fail.

2) Sales

For many retailers, sales goals are the measuring stick for their business. They provide a sense of market share and, in some limited respects, indicate profitability.

Increasing sales objectives can sometimes require renovations, additional space or even new stores. Of course, these actions would have to support the owner's personal direction, as discussed above. You must also bear in mind that sales goals cannot be viewed in isolation, since they are achieved only through the implementation of all other strategies.

3) Profits

Specifically, this refers to return on investment (ROI) objectives. Once the overall ROI goal has been established, the ideal approach is to work backwards to determine what it will take from all areas of the business to achieve it.

For example, if you set an ROI goal of 20% and your total investment in the business is $500,000, you must generate $100,000 in profits (20% x $500,000 = $100,000). Now you can begin to determine what level of sales, margins and expenses will be required to meet your objective. This bottom up approach will quickly determine whether or not your goal is realistic.

Winning Fact
The fastest way to measure customer satisfaction is to look at your sales. If they're up over last year, they probably like you better than they did. If your sales are down, odds are pretty good your customers don't like you as much!

4) Customer Satisfaction

After personal quality of life objectives, setting customer satisfaction goals should be your number one focus. This aspect of your business will have more of an impact on your bottom line than any other factor. When you become truly focused on satisfying customers, you will win the game. Chapter 6 discusses Customer Service in detail.

5) Suppliers

Working closely and effectively with suppliers is a key element for the retail enterprise. Therefore, objectives for vendor relations should be established. The most successful retailers today forge strategic alliances with their suppliers. As a result, they benefit from faster deliveries, special ordering assistance, return privileges, financing programs, favourable payment terms and overall improved cooperation.

6) Employees

Chapter 7 covers the area of Employee Development. Strong morale and mutual trust are important ingredients in defining a successful retailer. By establishing goals in these areas, you can begin to work towards improvements.

7) Image and Positioning

An important goal for all retailers relates to the image they develop within the marketplace. Image is determined by how consumers and others view your business. Your image may be one of thriftiness, luxury, tradition or innovation. No matter how you present yourself, the key to a successful image is that customers see your business the same way that you do.

Positioning refers to where you stand in the eyes of the consumer in relation to your competitors. Are you a leader or a follower? Leadership has its advantages since consumers look to them for direction. On the other hand, it requires foresight, innovation and significant commitment to be a consistent leader.

In the process of setting goals, the role of ethics as an underlying principle has become a key focus in the business world. "Doing the right thing" is something consumers demand. Being a responsible corporate citizen involves a full range of environmental, social, moral and legal issues. Don't treat any of these factors lightly when establishing your goals.

DEFINING YOUR TARGET CUSTOMER

You can't be all things to all people.

Trying to satisfy the entire marketplace results in no one group ever being truly satisfied. You need to determine who your "best" customer group is. This is known as your Target Customer.

That is not to say you won't have secondary consumer markets you will sell to, but rather that you need to build your store around your target customer profile. Doing so will result in an overall business strategy that is highly effective and results-oriented. In the absence of such a target customer, strategies become weak, misguided and ultimately fail.

The Target Customer Assessment that follows is an ideal tool to help you define the customers you are after.

TARGET CUSTOMER ASSESSMENT

Demographics

1. Market size: How many customers are in the target market? ______________

2. What is the size of the target customer's household? ______________

3. Is the target customer single or married? ______________

4. Any children? If yes, how many? ______________

5. Lower, middle or upper income? Give a $ range. ______________

6. Any discretionary income for impulse purchases? ______________

7. What age bracket is the target customer in? ______________

8. How often does the target customer move? ______________

9. Distance from home to the store? Provide a radius. ______________

10. How much does the target customer spend on your retail category? ______________

11. What is the total market size, in $, for your retail category?

12. Are new births an important factor for your business? ______________

13. Is the target customer female or male, or both? ______________

14. Does the target customer work outside the home? ______________

15. In what sectors/industries does the target customer work? ______________

16. What is the education level of the target customer? ______________

17. What is the ethnic breakdown of the target customer? ______________

LIFESTYLES

18. Is the target customer lower, middle or upper class? ____________________

19. What cultural values and customs are important? ____________________

20. Is the target customer a high, middle or low social performer? ____________________

21. With whom does the target group consult before purchasing? ____________________

22. At what stage of life is the target customer (just graduated, new empty nesters, just retired, etc.)? ____________________

23. How does the target customer spend his/her time? ____________________

24. How does she/he view time spent shopping? ____________________

25. What are the recognizable personality traits? ____________________

26. Is status important? ____________________

27. How important is your product to the target customer? ____________________

Customer Needs/Wants

28. How far will the customer travel to buy your goods/ service? ____________________

29. Is convenience important? ____________________

30. Does the customer want evening, weekend and Sunday hours? ____________________

31. What level of service is required? ____________________

32. How wide an assortment of merchandise is expected? ____________________

33. How important is price? ____________________

34. What quality of goods is desired? ____________________

35. Any other special needs? ______________________

36. How long does the customer spend in your store when shopping?

37. What is the average dollar purchase amount? ______________________

WATCHING THE TRENDS

Uncontrollable trends do affect your business and there is nothing you can do about them. However, what you can do is be aware of them and make plans for any changes they may create. By keeping an eye on these external events, you can often discover new opportunities ahead of the competition, or at least avoid significant economic loss from negative consequences.

Watch for key trends that involve the following groups or topics:

1) Consumers
2) Competition
3) Economy
4) Government Policy
5) Technology
6) Industry

✓ ***Tip***
Sometimes more competition is good for business. If new competitors increase the size of your overall marketplace, your opportunity for success will expand as well.

1) Consumers

Are your customers becoming more value-conscious? Or is conspicuous consumption starting to regain its former stature?

By analyzing your sales history and staying current with trade literature and business magazines, you can often anticipate and prepare for significant changes in consumer buying patterns. Those who do "keep their finger on the pulse" know that many people predicted the consequences of the aging baby boomers. Now you can see the huge impact of this trend in many sectors (e.g. pharmaceuticals).

2) Competition

The entrance of competitors into your trading area can have a significant effect on your business. Awareness of this activity can be your cue to refocus your concept. Listen to suppliers, developers and the media. Information is power, and in the case of competition, just may represent survival.

3) Economy

Generally speaking, there are not too many surprises where the economy is concerned. Most upswings and downturns are predicted well in advance. Knowing which way the economy is heading can help you make strategic decisions about expansion, renovations and other investments.

4) Government Policy

Be aware of pending changes to government policy. For example, if you are located in an area that depends on the patronage of civil servants and the government is aggressively looking to reduce its workforce, you can anticipate a potential negative impact on your business.

Similarly, if the government is about to introduce new small business training programs or employment incentives, you need to determine how to take advantage of these positive changes.

Winning Fact
The lack of a top-rate POS system severely inhibits your ability to compete.

5) Technology

Faster and cheaper. Those are two words that explain the general state of technology available to retailers. What new technologies are coming to the forefront in your market sector? Attend trade shows, read trade literature and watch your competition to see what's new out there. You've got to keep up the battle on the productivity front and technology just might be the answer.

6) Industry

Retail has been changing so fast it's hard to keep up. The “big box” concept, retail globalization, online retailing and power centers all play an active role in today’s marketplace. How are these and other industry trends affecting your store?

Nothing should ever catch you by surprise. Stay informed!

YOUR COMPETITIVE STRENGTH

Identifying who your key competitors are and understanding their strengths and weaknesses relative to your own store are key factors for every retailer. As discussed earlier, retailers must dominate a key area of the marketplace and accomplishing this requires a thorough understanding of the competition. Once you understand how you compare to your competitors, you can make plans to improve.

The Competitive Assessment outlined on the next page is an excellent tool to measure your relative strengths and weaknesses.

COMPETITIVE ASSESSMENT

Please rate your store and two other competitive stores using the following scale:
1 - The Best 2 - Second place 3 - Third place

	My Store	Competitor 1	Competitor 2
Store Location			
Exterior signage	________	________	________
Convenience	________	________	________
Window displays	________	________	________
Hours	________	________	________
Parking	________	________	________
Service			
# of staff available	________	________	________
Staff quality	________	________	________
Selling ability	________	________	________
Service policies	________	________	________
Visual			
Signage	________	________	________
Lighting	________	________	________
Layout	________	________	________
Atmosphere	________	________	________
Cleanliness	________	________	________
Excitement	________	________	________
Merchandise			
Assortment – breadth	________	________	________
Assortment - depth	________	________	________
Range of sizes	________	________	________
Quality	________	________	________
Brand names	________	________	________
Stock levels	________	________	________
Advertising			
Budget	________	________	________
Creativity	________	________	________
Frequency	________	________	________
In-store tie in	________	________	________
Major events	________	________	________
Media mix	________	________	________

Pricing

Price levels	________	________	________
Sale promotions	________	________	________
Aggressiveness	________	________	________

Other

Delivery service	________	________	________
Return policy	________	________	________
Technology	________	________	________

THE INTERNET AND RETAIL

✓ ***Tip***
See Industry Canada's web site retailinteractive.com for more e-commerce statistics and information

Over 75% of Canadian adults and businesses have internet access. The power and opportunity that this represents requires all retailers to develop a web/internet strategy.

Retailers are currently using the internet for a variety of functions, including:

1) Communication with suppliers.

E-mail is becoming the communication of choice for larger suppliers when fielding routine inquiries. Vendor web sites can be interactive and even provide real-time inventory availability. Larger suppliers are trying to move customers to EDI (electronic data interface) ordering so they don't have to re-enter orders into their systems.

2) Communication with customers.

E-mail is by far the most cost-effective method of communication. Period. Collecting e-mail addresses for your best customers makes it very convenient to send them product updates and promotional flyers.

Here's another gem ... how about educating your customers from your web site before they even come into the store? Wouldn't that cut down on selling time?

3) Banking/electronic funds transfer.

All of the major banks offer this service for personal and business clients. Imagine how easy it is now for a multi-store retailer to check up on the previous night's deposits for each location. More good news ... moving cash around from various accounts is now as simple as "point and click".

4) **Purchasing goods and services online.**

Price quotes for business insurance, office supplies or leasing a truck ... the web has it all. You can even get your personal groceries shipped to the store at almost any time you desire.

5) **Selling goods and services online.**

The level of business currently conducted online is approximately 3% of total retail purchases. This continues to grow at a steady pace and comparison-shopping for products is a popular online consumer activity. At this point, the majors control the lion's share of this "e-commerce".

E-commerce Challenges

The recent success of e-commerce companies ("pure play") is staggering. Combined sales of E-bay and Amazon totaled US $19 billion in 2002 (according to Forrester Research).

However, the e-commerce field is also strewn with causalities. Both "pure play" and "brick and click" formats have made many of these same mistakes.

1) **Logistics**: Too much focus on the web site and not enough on the logistics of packing and shipping.

2) **Multi-Channel:** Today's consumer is a multi channel shopper – in-store, online and mail order. Your chances of success are enhanced if you also offer multi channels.

3) **Technology:** IT budgets are being squeezed while technology continues to evolve. Those retailers who succeed will be the ones with the best technical systems.

4) **Distinction:** Unique product niches create a target

audience. Don't try to compete with the Amazons. Don't sell commodities (e.g. if you're selling CD's, they must be rare or imported).

5) **Stagnation:** Refreshing the product line stimulates desire.

Getting Your Business Online

Getting online can be less intimidating than it seems. Briefly described below are three different business models for moving you through this process.

1) **Basic "Home Page".**

   As a minimum, you must own your own domain name (yourstore.com) and have a professional web site. Even if it's only one page. This minimum online presence adds to your credibility and professionalism. Post your store hours, your location and a simple description of what you offer.

2) **Online Catalogue, Supplier Supported.**

   After a basic Home Page, the next level of presence is to post an online catalogue, allowing customers to surf through your product line before they come to your store. The easiest way to accomplish this is through "links" to your suppliers' web sites. They maintain their own professional, online catalogues, which they will usually make available to you.

3) **Full Online Selling.**

   Start with a limited selection of products available for sale. If sales warrant, build your catalogue slowly. Ordering can be simplified by having customers call or fax their orders to your store, instead of maintaining a full online payment processing system.

MINIMIZING THE RISK

What could happen within your business or marketplace that could cause your store to disappear? As part of a solid strategic plan, you need to identify those threats to your business and prepare a course of action to deal with them.

You can't steal second base if you don't take a lead. The trick is to take enough of a lead to make the steal, but not so much as to get "picked off".

For example, what is the likelihood that your bank will withdraw financing for your store? You need to know:

- What might cause that to happen.
- What the ramifications would be.
- What you would do if it did happen.
- How you can prevent it from happening.

Explore each key area of your business to determine where potential threats exist. If barriers to entering the market are low, then new competition may surface. Are you ready for it? If you rely on one key supplier, what is the likelihood that it might not be able to serve your needs any longer? What if your star employee decides to leave?

These are not intended to be doomsday scenarios, but rather an examination of events that have a reasonable chance of happening. Your job is to create plans that will prevent their occurrence or respond to those situations that do arise.

✓ ***Tip***
Go away on a strategic planning weekend once a year to objectively

Whenever possible, the responsible business owner minimizes the risks associated with running a retail store. This includes reducing start-up costs and ongoing operational expenses. Given the hyper-competitive nature of our current environment, more retailers need to prepare a solid risk management strategy as part of their overall business plan.

evaluate your retail strategy.

To help reduce business risk, consider the following courses of action:

- Join buying groups and cooperative advertising associations.
- Work with suppliers on inventory financing arrangements and return privileges.
- Negotiate favourable lease deals, including "out" clauses.
- Locate in secondary locations and marketplaces where rents and wages are lower.
- Buy used equipment and fixtures.
- Use a minimalist store design featuring concrete floors, open ceilings and concrete block walls.
- Consider a warehouse type of approach, reducing the need for a back room. Focus more on self-serve, thereby decreasing wage costs.
- Become more vertically integrated so you have ownership/control over the manufacturing, distribution and retailing elements of the business.
- Enter into joint ventures with other retailers.
- Enter into joint ventures with manufacturers and distributors.

These ideas are just possibilities for your evaluation, and are not necessarily suggested for every retailer. However, as the competitive environment intensifies, innovative retailing strategies will become even more important.

SUMMARY

1) Retail is not a “seat of the pants” enterprise. All success is based on clearly defined and well-executed strategies.

2) Your store must dominate your marketplace in one of these areas: Product Selection, Convenience, Shopping Experience or Price.

3) Focus your store on your target customer. Build your concept for your "best customers".

4) Constantly evaluate your position in the marketplace relative to your competition. Don't get left behind.

5) Develop an internet strategy. E-commerce is here to stay!

6) Minimize the risks of running your business.

CASE STUDY: JACKSON'S DEPARTMENT STORE.

Welcome to the case study segment of "Winning Retail"!

In this section, you will read about the fictitious retailer "Jackson's Department Store". An entire background scenario is provided for this operation, along with a wide variety of statistics and other company information that will allow you to become quite familiar with the challenges at "Jackson's".

Begin by reading the "Introduction" on the next page. Then continue on with the "Retailing Strategy" portion of the case study immediately after that. At the end of each subsequent chapter, a further segment of the case relating to the material covered will be presented.

You will act as a consultant to "Jackson's Department Store". In this role, you will "participate" in a variety of fact-finding, analytical and planning exercises. Some of these will require you to answer specific questions, while others will simply allow you to "watch and listen" as solutions are developed.

The intent of this case study is to provide the opportunity for you to apply the concepts and procedures described in "Winning Retail" to a practical, real world situation. As you know, the most powerful learning experiences are those that include "doing" along with reading, listening and watching. Take the time to learn effectively in this risk-free environment, so you can "do" it right when you get back to your own store!

INTRODUCTION: JACKSON'S DEPARTMENT STORE

Welcome to your first day on the job as the newest consultant for Jackson's Department Store! While you may be a little nervous, what lies ahead will make your stomach rumble, your head spin and your eyes pop!

Now you're headed into the world of independent retailing: the toughest; meanest and cruelest occupation on the planet! And working for Jackson's is especially unique because it hasn't "upped" its business finesse and strategy since the year it opened -- 1930! Your job is pretty simple, really. Help save the company from itself.

A junior department store located in Swoonville, Saskatchewan, Jackson's small-town residents (10,000 to be exact) sometimes mistake it for a folded table. Jackson's also draws business from the neighbouring small communities, with combined populations of 15,000 people. Thirty minutes away from sweet little Swoonville is the metropolis of Appletown, complete with its fancy malls and 500,000 residents.

Jackson's founder – Abe Jackson -- built the store into a successful enterprise that handily served the needs of all the residents of the town. Jackson's was always known for providing most everything a family needed and at a fair price.

Taking over his father's business after the war, Abe's oldest son David aimed to do even better than his dad. So, in 1953, David moved the business into its current location right in the heart of downtown Swoonville. The store now occupies a 3 storey building with a total of 27,000 square feet, including a basement level that is used for storage and receiving.

For a long time, David sat on top of the world. With solid sales and healthy margins, the competition was a present, but distant threat. Starting in the late 1980's, however, that all changed and things started to take a turn for the worst.

A constant hush started to linger over the streets. The downtown core started to die a slow and painful death. Several stores closed their doors. It's not that the town's population was shrinking, it's just that most residents started to work and shop in Appletown -- the metropolis -- instead of in sweet little ol' Swoonville.

In 1988, David made the decision to close the upper level of the store and eliminate the furniture department, his father's personal pride and joy. In a wise effort to save costs, he also moved the remaining departments onto the store's main floor.

The time has come to pass the torch. Meet Susan, the eldest of David's three children. A real bright light, Susan aimed since childhood to escape the clutches of the small town and head for the big city to make her mark. She was accepted at the university of her choice and graduated in 1993 with a specialty in marketing.

Susan climbed the corporate ladder fast, landing a job with a major retail clothing chain as a Senior Store Manager. Moving along the fast track through a stint as District Manager, Susan then transferred to the Buying Department. For the past five years, she's been a stellar performer. And, not surprisingly, she loved her job.

Unfortunately ...

The call came late one night. Her father, David -- distraught, 67 and ready to retire -- had saved enough to live comfortably, but he needed to sell the store. For the past four years, he had quietly tried to sell Jackson's. But it was too tired and too old -- no one wanted anything to do with it. David needed Susan's help. He needed her to take over the store.

Susan came back home late last month. She committed to a 12-month period to completely overhaul the operation and return it to it's youthful luster. In a stroke of brilliance, she hired you! Your role? To serve as her sounding board, advisor and her confidante.

Here's your first look at the numbers (you may want to take some aspirin first):

Sales	**Gross Margin**	**Profit/Loss**
1997: $1.2 million	1997: 40.7%	1997: ($185,000)
1996: $1.4 million	1996: 41.6%	1996: ($74,000)
1995: $1.5 million	1995: 44.5%	1995: ($11,000)
1994: $1.7 million	1994: 46.3%	1994: $89,000
1993: $1.8 million	1993: 47.5%	1993: $132,000

Susan has developed a 12-month plan of attack that will focus on one major business area each month. Your task? To keep up with her frantic pace of analysis and change.

Good luck! (You just might need it!)

CHAPTER 1: RETAILING STRATEGY

Tops on Susan's list of priorities is to complete a review of the direction she has in mind and the goals she has set for Jackson's Department store. She recognizes that without an understanding of this direction and these goals, the store is likely to continue to struggle. Susan's first task in laying out the retail strategy for the store? Creating a series of high-level business goals.

Susan completed the following Business Goal Form after much discussion with her father and you (all right!). Although there was some disagreement, the three of you finally settled on what you see before you:

BUSINESS GOAL FORM

Area	Goal
Owner's lifestyle	To be committed to a hands-on approach to management, but to also strike a balance between business and personal goals. While business comes first, it will not dominate the owner's entire life.
Customer satisfaction levels	To succeed, Jackson's Department Store will need to provide a high level of customer assisted shopping. Our goal is to continue to improve our customer approval rating, as measured through direct customer surveys and contacts.
Supplier relationships	We will continue to seek out strategic alliances with key suppliers and treat all suppliers with respect. We will manage these relationships based on business results, and not solely on personal ties.

Employee satisfaction	We recognize that our success in achieving customer satisfaction will only be limited by our success in achieving employee satisfaction. To that end, we will strive to be an employer that our staff respects and enjoys working for.
Store Image and Positioning	Jackson's Department Store will create an image based on value, conservative fashion and tradition. We will position ourselves as a leader in service and value established by product quality and price.

After reviewing these high-level business goals, it was determined that you had to complete a comprehensive SWOT analysis. Be fully aware that SWOT does not involve bugs. Rather, it's about clearly defining the current playing field. SWOT stands for the following:

S Strengths
W Weaknesses
O Opportunities
T Threats

After a heated series of debates and discussions between Susan, David, yourself and other key employees, the following SWOT analysis was born:

SWOT Analysis

Strengths	• Over 60 years of serving the local market. • Loyal regular client base. • Good manual inventory tracking system. • Some solid supplier relationships. • Building owned, paid for, and historic. • No long-term debt financing.

	• 70% long-term staff (10 years plus). • Women's casual sportswear department continues to grow: ➢ From 18% to 26% of store sales over last 4 years. ➢ Real growth of 10% plus per year. ➢ Margin steady at 44%.
Weaknesses	• Sales continue to decline. • Margins continue to decline. • Negative cash flow. • Requires additional $150,000 investment from owner. • Weak marketing and advertising initiatives. • No P.O.S. computer system. • No staff training or sales management systems. • Store image conveys sense of tired, old dog that's still friendly, but not at all fun to play with anymore. • Store environment needs updating • Under performing departments include: ➢ Sporting goods: 4% of sales, 32% margin ➢ Housewares: 5% of sales, 36% margin ➢ Footwear: 6% of sales, 31% margin (0.75 turnover) • An aging customer base.
Opportunities	• Through more advanced buying and management strategies, cash flow and margins can be improved. • Limited in-town competition with little likelihood of new players entering the market. • Women's casual sportswear department continues to grow at healthy margins (this could be expanded). • Inexpensive ad rates.

Threats	• Time is racing by too quickly. • Rumour of a U.S.-based major discount department store coming to town. • Store image may be too damaged to rejuvenate. • Amount of change required may result in store staff resisting the new direction and resigning. • Continued poor performance will result in store closure.

Having completed the SWOT Analysis, Susan had two more key areas to examine. She wanted to better understand the customers Jackson's attracts and how she stacked up against the competition.

Early on, Susan realized that Jackson's needed to target its best customer – 35 to 55 year old women living in Swoonville. Rightly, Susan knew her store's success would depend on attracting this target customer. Her strategy? Sell the right product and employ the right marketing.