



Business Learning By Dan

Understanding Our Members' Businesses: Retailing

By Dan Topf, CPT

“Really? We can go shopping?!”

Recently, I was surprised to hear a friend’s thirteen year old daughter spring to life upon the realization that she may get to go shopping. I reflected on this for my Business Learning column. We all certainly do a lot of shopping, and those stores that are successful seem to really work hard at getting that ‘gleeful’ response from their customers. What’s **that** all about?

Retail business is a major part of our national economy. Our local chambers of commerce will tell you that retail sales drive the overall economy by a tremendous amount. Our economic recovery efforts depend on retail sales, since economists say that retail purchases can indicate the strength of our personal financial health. Many of our members work in retail. For us, we can affect retail performance through learning, training, and performance improvement. We need to learn what’s going on in retail. Really.

As with any business, it’s important for ASTD members to understand the unique drivers of a retail business. Retailing is really re-selling. A store buys tangible products and intangible services from suppliers for sale directly to customers. Products are displayed, prices are shown, and a customer makes the purchase decision fairly quickly. As a consumer, the purchase decision is personal (rather than by a buying group or committee, as in a business purchase. More on that in another column.) Also, lots of factors can influence that consumer’s purchasing behavior, and the more a retailer knows about that customer and his or her motivations within the buying experience, the better.

Retailers require a LOT of capital. Just think of your favorite store (My favorite is Lowe’s). Consider all that inventory on the shelves! Consider even more inventory somewhere between the supplier and the shelves! As we discussed in my “Circuit of Capital” column, that inventory isn’t free. Lowe’s must pay up front for that inventory, or at least create a “payable” showing they owe the supplier. Consider the supply chain. The supply chain starts with Lowe’s buyers working with suppliers to put products in their warehouses or distribution centers, deliver them to the stores, place them on their shelves, record them in their computer systems, promote them in their advertising, and finally, sell them to customers in the stores. As you now know, the faster and more nimbly Lowe’s can buy, transport, sort, restock, and sell its products, the less working capital it requires, and the more money it will make. Consider seasonality of the merchandise, the whims of fashion, and the economic downturn, this is a very challenging business in which to turn a profit.

Although there is a lot of complexity in the retail supply chain, there are just a few drivers of overall success. These are the things that retail business leaders and their stakeholders watch very carefully. As training professionals, employee learning and performance improvement should affect these drivers:

<i>Driver of Retail Success</i>	<i>Why It's Important</i>	<i>Role for Training and Development</i>
Same Store Sales	Measures the sales performance of stores open for one year or longer. It isolates growth in sales from existing stores, rather than from adding new stores.	Focus training on store management and associate performance. Teach skills related to the overall brand promise, look, feel, and target customers. Communicate the value of products in the store and who buys them. Teach store layout and environment practices that bring high margin, desirable items to customers attention.
Working Capital Ratios	Measures the amount and efficiency of capital in the supply chain. The goal is to reduce working capital.	Teach inventory management and utilization of inventory systems and controls. Train employees systems and tools for maximizing store inventory turns. Educate on the importance of restocking, customer service, the "floor", and checkouts for the overall customer experience.
Inventory Turns	Measures how long, in days, it takes the retailer to turn over the inventory in the supply chain, from supplier order to customer purchase.	Teach the importance of moving inventory. Reinforce the employees role in keeping inventory moving. Train inventory management systems, technology enhancements, and work procedures. Link continuous improvement to the movement of inventories.
Number of Store Visitors	Measures store traffic.	Train business development techniques, skills, and capabilities. Align training to support branding efforts. Train leaders to evaluate promotions and advertising with return on investment.

Conversion Rates	Measures how many store visitors actually bought something during their visit.	Train merchandising skills and techniques to all employees. Align training to meet the needs of the supply chain. Educate all employees on what your brand represents and why customers buy. Influence suppliers to provide education to your stores on the value their products bring.
Average Purchase	Measures the amount each customer spends in your store	Teach employees the importance of restocking, floor service, and other direct customer contact skills. Educate on work procedures that put high demand products in front of customers. Provide associates with tools to provide customers what they want when they want it. Educate on the 'voice of the customer.' Train suppliers how to train your associates on the value their products bring.
Profitability Margins	Measures the amount of profit the store makes, after paying the supplier for the products.	Educate on cost control and negotiations with suppliers. Teach systems and processes that result in buying in smaller orders more frequently to reduce working capital. Train management to schedule and train store associates effectively. Educate leadership on differentiating on value, rather than simply price and promotions.

Once again, the training and development professional has a role to play for the retailer's success. As in my earlier columns, it is important that training programs align with the drivers of success that are specific to your industry.

My friend's daughter will probably support you in your training efforts. Although she may not realize it, she's on the end of a supply chain that is totally focused on her needs, motivations, wants, and buying preferences. Throughout that chain, learning and development professionals aligned their training programs to drive performance at every stage.

See you at the mall!

Dan Topf, CPT, Is Senior Vice President for Performance Improvement at MDI, Inc., A Business Learning Company. Dan can be reached at 515-292-2602 or at DanTopf@MDI-Learning.com. His company web site is www.mdi-learning.com.