AVOID RETAIL PITFALLS AND STAY SUCCESSFUL

Editorial Brief

By: Tony Boncore

Shoppers do not care about what retailers *are* doing, they care about *why* retailers do what they do. The sentiment has become a fundamental principle in today's modern-day retail environment.

Sure, retail can be a challenging industry – I speak from experience as I have worked in this industry for over 20 years. What I have learned, unfortunately, is that many retailers fail to succeed in the long run because they are not bought into the idea of what the saying is trying to accomplish.

While some factors may be beyond a retailer's control, there are several common reasons why I think retailers fail:

MANAGING FINANCES

One of the most common reasons why retailers fail is poor financial management. Retailers need to be able to manage their finances effectively to ensure they have enough cash flow, inventory management, and profit margins to stay afloat.

If a retailer is unable to manage their finances effectively, they may overspend, have cash flow problems, or be unable to turn a profit. In some cases, this can lead to bankruptcy. Some examples as of late include Tuesday Morning, Party City, and Alex and Ani to name a few.

Retailers need to keep a close eye on their financial health and have a clear understanding of what it will take to be successful. Developing and keeping strategic plans to adapt to the market, shopper trends, and supply and demand of inventory needs are all critical components of remaining relevant. Yet among these highly important components of a strategic plan, the one key component of retaining financial success is to have a captivating end-user story. After all, you need customers to be financially viable.

NOT KNOWING THE CUSTOMER

Retailers need to understand their target market and stay up to date with changing consumer trends – that's the "why you do it" part.

Understanding customers' expectations and what trends are driving them are critical. If retailers don't do this, they may be left with outdated product offerings that are no longer relevant for their customers, making them irrelevant. In turn, lost sales and a decline in revenue can be expected.

Retailers should take time to break down their customer base into several targeted segments. While you may not be able to address all customer desires the same, you will be able to focus on the common factors driving patterned shopping habits. The more trends you see, the more likely you are to meet, and even exceed, their needs – we'll talk more on this below.

But how do you categorize your target markets? Retailers should conduct regular market research to understand their target market and consumer trends, constantly adjusting or adapting their

"why we do it" concept. Retailers who stay up to date on industry news, internal and external consumer trends and competitor offerings can quickly adapt their marketing strategies to focus on the directions their customers are heading.

INEFFECTIVE MARKETING

Effective marketing and communication are a critical component of reaching customers. Failing to accomplish these critical components, retailers are left with low visibility, poor customer engagement, and most likely, lost sales.

I must mention the customer segmentation again – marketing to different customer segments is critical. Customer preferences differ, meaning customers want to see and hear about products and offerings differently. Curated marketing allows retailers to purposefully target their customers with what they want to see based on the data that's been gathered. Without carefully crafted marketing, retailers leave themselves vulnerable to revenue decline, losing loyal customers and difficulty acquiring new ones.

So, how do retailers avoid ineffective marketing? Retailers must ensure they are implementing a clear marketing strategy and that they are effectively communicating their brand message and products to each of their internal stakeholders as well as potential customers.

Siloed operations must be broken down and the entire business must be on the same page to ensure their commerce channels are unified towards a common goal. Retailers would also be wise to utilize a variety of marketing channels, including social media, email marketing, and advertising, to reach their "segmented" target audiences.

POOR CUSTOMER SERVICE

Retailers need to prioritize providing excellent, experiential customer service, as it can impact customer loyalty and encourage repeated, long-term business. In recent years, experiential shopping has become more and more important to retain customers – read more on this in my blog on how generational differences are shifting retail shopping behaviors.

Failing to provide excellent customer service can be detrimental to retailer's future in the modern retail environment. Bad reviews, negative comments and poor customer feedback can all be red flags for any potential customer; not to mention, shoppers are becoming less loyal to brands that can't facilitate excellent customer service and are likely to go to competitors.

How can retailers retain customers? It's a relatively easy formula that can be difficult to execute. Retailers should prioritize providing excellent customer service by training their staff to be knowledgeable and friendly, responding quickly to customer inquiries and complaints, and offering incentives for customer loyalty and referrals. A retailer's employees are the front line that cares for the customer base. By empowering your employees to provide high quality customer service they can address challenges before those challenges ever have a chance at causing further damage. Take care of your employees, and they will take care of the customer.

FAILING TO ADAPT TO TRENDS

Retailers need to be flexible and adaptable in response to changing market conditions, including new technologies, economic shifts, and global events.

If a retailer fails to adapt to changing market conditions, they may not keep pace with competitors and lose market share. Technology has been a key differentiator in businesses that are able to adapt quickly to market trends versus those that are unable. Customers have a breadth of knowledge at their fingertips. They know what they are looking for, how prices compare among products, model specifications and much more. If associates are not equipped with the appropriate technology to empower them to be more knowledgeable than the customer on products and competitive offerings, the customer is more likely to take their business elsewhere.

Likewise, retailers should always have a thumb on the pulse of industry news and market trends, adapting their business strategy and remaining flexible to change. For many, that means having a strategist on staff or using a third-party provider that can advise them on potential headwinds and how to navigate them. Retailers must be open to new technologies and marketing channels and be willing to swiftly pivot in response to changing market conditions.

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>
> **– TONY BONCORE,** PSS GLOBAL CUSTOMER MARKETING PRINCIPAL

HIGH OPERATING COSTS

One of the biggest challenges I experienced is controlling the operating expenses and costs. I had to constantly remind myself that we need a significant ROI with controllable operating costs.

Retailers must keep their operating costs low to maintain profitability. Otherwise, they may be unable to compete with their competition and struggle to find success.

To avoid high operating cost pitfalls, retailers should regularly evaluate their costs and look for ways to reduce them. Even more so, ensuring that everyone responsible for expense management is operating on the same page is crucial, as it reinforces consistency throughout the organization.

Priorities must be clearly understood. As an example, when I worked in retail our operating costs priorities were – building operating costs, payroll, employee education, investment in customer loyalty (non-exhaustive).

Establishing priorities and comprehensive cost management training should be woven into the fabric of an organization as an operating principal without exception. Equally as important, reviewing financial scorecards and KPIs monthly can help the organization identify challenge areas and adjust to help allocate operating costs accordingly.

Other areas retailers can focus on to reduce costs are renegotiating leases or contracts, finding more affordable suppliers, or outsourcing certain tasks to reduce labor costs.

IN CONCLUSION

Now that I have listed some the ways that a modern retailer can fail, we can look at it through a different lens. These are also all the ways in which a retailer can succeed.

By proactively approaching each of these subjects with purposeful and careful planning and consideration, retailers can remain relevant and outstanding for their target shoppers. Shoppers will remember retailers who have spent time and effort in crafting engaging experiences – even if they don't see all the behind-the-shelf activity a retailer is engaged in.

Ensuring your organization has a clear and easy to understand strategy of execution will set you up nicely for sustained growth and future success.

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