

One great way to compete with big-box retailers is to avoid selling your customers landfill

Excerpt from Chapter 7 of "Start and Run a Retail Business" by Jim Dion and Ted Topping, published in Canada and the U.S. by Self-Counsel Press. Available through amazon.com and in stores.

FROM THE PERSPECTIVE of a customer, shopping at one of the big-box retailers is very similar to shopping at a vending machine. Neither asks what you want because they expect you to know that when you arrive, and both reduce the shopping experience to its simplest terms. As a customer, you walk in, put your money in the slot, pull the lever and wait as a product slides down the chute.

Vending machines are both very efficient and very profitable for their owners, but they have one big drawback from a customer's perspective: they happily sell landfill. We use this term to describe any item a customer buys that does not meet his or her needs.

Think for a moment about your own home. Somewhere in your basement, garage, closet or bathroom, you probably have at least one thing that you have bought but never used. It might be a wrench, a can of paint, a sweater or some skin cream, but we will bet you have something.

You may not think of this item as landfill just yet, but deep in your heart, you already know. That item will sit in your basement, garage, closet or bathroom until you sell it in a yard sale, give it away or send it with the rest of the trash to a landfill site.

Now think about where you bought this item. The odds are good that you bought it from a vending machine – a retailer who invited you to walk in, put your money in the

slot, pull the lever and wait as a product slid down the chute.

This retailer did not care the least bit about you as a person or your needs. He or she probably sold you the item at a low, low price, but that did not leave the retailer with enough money to provide a professional sales associate who could answer your questions and help you understand what you needed to buy.

As you think through your retail

business, you should regularly ask yourself one question: "What is the difference between what I am doing and what a vending machine does?" If the answer is "nothing," you are in deep trouble. A

vending-machine retailer can simply undercut your prices and put you out of business.

To prevent this, you need to add value to every transaction. One of the best ways to do this is to provide extra-mile service and always take the time to understand your customers' needs. This is something that *you* can do well but a vending-machine retailer cannot do at all.

If you can figure out what it would take to make your customers' purchases complete and wonderful, and then find ways of doing that, you stand a good chance of lasting in the

retail business. You could start by refusing to sell landfill, perhaps making this principle into a slogan:

Our store is not going to let you buy useless stuff. Instead, we will provide you with all kinds of complete and wonderful solutions to your needs.

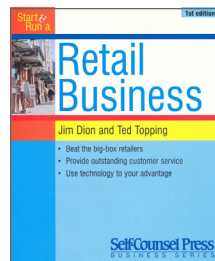
Not every customer will respond to this. Perhaps 25 per cent of all customers shop on price alone and are quite happy to do their shopping at a vending machine. They do not care about pretty stores, and they are not interested in what some retailers think of as service.

You would be making a big mistake if you tried to build your business on this group because you will never be able to build a relationship with customers who shop on price alone. Those people will always go down the street for a dime and around the corner for a quarter.

This does not imply that the remaining 75% of shoppers do not care about price. On the contrary, these people care very much about what they pay in relation to what they receive. In other words, they care about value. They will expect you to justify your price, to explain why an item is worth the amount you are asking for it. Said another way, price will be an issue only in the absence of value.

We believe that you can probably charge 20% more than the lowest price in the market on a given item *if* you deliver at least double the difference in value. If you do not provide this, your business will not succeed.

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