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RETAILING TONY GATTARI

Marketing tactics of great retailers

SOME MONTHS ago I was asked about how during my time as General Manager of the Computer division of Harvey Norman we were able to grow the division from \$12million to \$565 million in nine years. The following is an extract of this interview highlighting the power of marketing and the ability for all retailers, irrespective of size, to use them to get immediate profitable results.

How were you able to have a large percentage of the expenses of your advertising campaigns underwritten/covered by other companies?

We were able to spend more money on marketing because we understood one simple principle – suppliers love exposure. To get them involved in marketing campaigns we designed trading terms with the suppliers that allowed us to obtain marketing contribution to promote their products.

I am regularly asked by smaller players if they should negotiate with their suppliers to get some of the great deals the big guys get. My answer is always the same. What is the worst that could happen? You might get turned down, but you won't lose anything for trying. Suppliers aren't going to rip their stock out of your store, simply because you asked for a trading terms arrangement. What is essential is that you show your suppliers how they will benefit from the arrangement. It must be a win/win situation for both parties.

If you're wondering what areas that the big businesses target, below are some of the bonuses they negotiate in their trading terms. There are more, but these are the outcomes I feel are of greatest benefit to smaller businesses, and most likely to succeed.

Rebate contributions – Your suppliers need to ensure that you can further develop and promote the industry to ensure that their business survives and grows. The most practical way to calculate a rebate contribution is a fixed percentage based on net invoice values.

Settlement discounts – If you are prepared to pay for invoices promptly, you could negotiate a settlement discount if you pay within an agreed date.

Sale or return – Allow the rotation of product without the requirement of a replacement order. You could also negotiate a sale or exchange of product, and sale or markdown of product.

New store openings – Ask for one-off opening order discounts for all new stores. This will help your cash flow greatly in your store's early days.

Sales Person Incentive Policy (SPIV) – Approach a Supplier about offering an incentive to Sales Staff, to sell problem or promotional stock. Additional commission or gifts are the way to go.

You must show Suppliers the uniqueness of your brand. If the supplier sees value in what you have to offer, they will give you more than you probably expect. Also work on selling your vision. If you have growth strategies or exciting marketing campaigns in the pipeline, get the Supplier to buy into the vision and become a partner in the success of your retail business.

Why do you believe the mega store concept was working so effectively? Do you believe that more businesses should adopt the 'one shop stop' approach or specialise in a specific product or area of the market?

Mega stores have been a success in Australia. Companies such as Officeworks, Bunnings and Super Cheap Auto have all shown that you can dominate a category by having a 'one stop shop' approach. But you do not have to be big to be successful. I strongly advocate that anyone can build a killer category business! Once the principles can be applied to your business, you too can take a category and own it. The main principle is to define your 'uniqueness' or your 'unique selling proposition (USP)' through:

1. Selection of a dominant product assortment: Athletes Foot, Gloria Jean's and Baker's Delight are all small footprint retailers, but dominate their category by supplying the best offering in a narrowly defined category.

2. Creating a delivery mechanism: Once you have selected your product assortment you need to work out how you are going to deliver it to the customer. Will there be a high amount of service, will the business be in convenient locations and opened for extended trading periods? Or is your business fashion-driven, forcing you to continually bring out new and innovative product?

To help you decide your product offering and delivery mechanism you need to understand the following and apply to your strategy;

- **What the Customer Buys** – This is the core driver of your product assortment, where the bulk of your purchasing, time, and energy are focused on. This is your dominant assortment of merchandise.

- **What the Customer Wants** – This should be narrowed down to the innovation part of the business. This is where the growth of your business comes from, once your core business has started to settle in the market place, and its growth starts to plateau.

- **How the Customer Wants to be Served** – This will decide your location and pricing strategy. Increased service means increased wages, so your prices must reflect the service offering. ●

■ The author, Tony Gattari, helped build Harvey Norman's computer business from \$12 million to \$565 million in nine years and has worked with over 110 businesses in the world through his business development company Achievers Group. Website: www.achieversgroup.com.au Email: tony@achieversgroup.com.au Phone: 02 9440 7373