Is Your Sales Staff Cutting It?

The first step towards improving any performance, whether its athletic, academic, or business oriented, is to set up standards of measurement. Establishing meaningful performance measures is never easy, and sticking to them is harder yet. This is especially true in a retail selling situation. All too often, the tendancy is to gauge performance from a vague and anecdotal basis. The results of this type of analysis are rarely useful in refining the sales process and sometimes serve to re-inforce bad habits.

We recently came across a quick, simple, and accurate method of monitoring the total effectiveness of a retail sales and marketing effort. The manager who judiciously adheres to this method will be able to accurately assess advertising effectiveness and sales effectiveness.

This monitoring scheme consists of three parts, the first being total sales for a specified period, be it month, week, or quarter. The other components are the exact quantity of store traffic and the close ratio – in other words, how many prospects are converted into purchasers.

Taken together, these three factors provide an accurate picture of the strengths and weaknesses of any selling organization. Retailers who gauge performance on sales figures alone may be missing out on opportunities for improvement. A few high-ticket items can result in acceptable sales figures, in spite of the fact that store traffic may have dropped or the closing ratio was poor.

Looking at the three measures individually, "dollars generated" is obviously the single most important factor. As they say, everything else is baloney. However, making a daily log of store traffic is a great way to determine the effectiveness of advertising efforts. Monitoring the closing ratio offers insights into the quality of a salesman's presentation. High store traffic and a low closing ratio would indicate that advertising and promotional efforts are on the mark but that the salesman is letting the prospects slip. A high close ratio and poor traffic would indicate the opposite.

Given the rapid change in consumer tastes and technology, accurately gauging selling effectiveness is more critical today than at any time in the recent past. Against this backdrop of market upheaval, any negative change in closing rates or store traffic should prompt retailers to immediately evaluate their advertising, customer presentations, and promotional efforts. Responding to subtle shifts early can invariably save significant heartache later on.

In 1890, in one of the first issues of *Music Trades*, a then-prominent (now defunct) retailer exclaimed, "You can't do business the same way as in years past." The names and faces have changed, but the refrain is the same. Retailers still exclaim, "You can't do business the same old way." Unfortunately, many retail operations quickly settle into a comfortable mode of operation and blithely ignore changes in the surrounding environment. This approach can often lead to some unpleasant surprises when the market makes a sharp turn.

One method of keeping abreast of a changing market is to monitor current performance and make comparisons with past results. Even when you carefully track closing ratios and store traffic, you can't avoid all difficulties associated with changing markets. However, these statistics can serve as something of an early warning system calling attention to problem areas in need of evaluation.

Brian T. Majeski
Editor

Less Is More

What do Jaguar, BMW, and Mercedes have in common with the majority of successful musical instrument suppliers? These three luxury car manufacturers have learned that more sales can be achieved with a smaller dealer base. Over the past three years, the three auto makers enjoyed sales gains ranging from 40% to 120%. Yet collectively, their combined dealer network expanded a mere 2%. By the same token, history has continually shown that higher sales levels can be achieved in the music industry with a smaller number of retailers.

Gross margin is the lifeblood of the retail business. Not surprisingly, intelligent retailers place special emphasis on those products that yield a better gross margin. The critical factor in determining the gross margin of any product is not its quality or its features, but rather the number of retailers who handle it. Good margins are hard to attain on a product that is handled by every retailer in a trading area.

The above couldn't be more obvious. Yet ironically, only a handful of manufacturers have learned the lesson of less is more in distribution. The group of manufacturers who have had the patience to cultivate a select group of dealers, rather than open every store in town in search of short-term gains, represent a distinct minority.

It's a pity that more suppliers don't recognize the benefits of a selective distribution policy. If they did, the entire industry might be better off today.

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