



Current market downturn and doing business with Big Box retail ...

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The current market downturn has shown even more critically the importance of a well balanced customer portfolio and the value of a strong brand.

Many Big Box retailers have gone out of business or have hung on for dear life: *Radio Shack, Circuit City, Tweeter, Linen and Things, Ritz Camera*, ... just to mention a few... They all got into trouble because of declining sales, loss of market share and crippling debt (*click link at bottom of the article for full list*).

Many of these names - *associated with a specific category of products* - might not always have been the segment leader, but they definitely were up there. This article does not want to search for the underlying reasons of their demise, but wants to look at the effect their woes have on their entire value-chain of vendor partners.

Many businesses have - in search for the holy grail of revenue growth - tied their corporate destiny through *exclusive products, distributor brands or incredible deals* to these stumbling retailer giants. However, once these giants tumbled, these vendors were left in pain, or were also taken for a similar fall.

What are the lessons for every business from these challenging times?

1. Balance the customer portfolio

You may have preferred customers, key accounts, whatever you want to call them. However - make sure that you do not run your company on the success/relationship of one single customer.

They stumble, you fall.

2. Own a Brand

The brand belongs to you and it secures your channel of communication with the consumer

Remember that a Brand entails responsibility in leadership, innovation and in depth consumer understanding. But it also requires patience and persistence as no brand was built overnight.

3. Calculate the profitability of exclusivity

Providing customers with exclusive products, distributor brands and incredible deals carries a price; understand the cost structure of the (additional) product lines and measure the product and customer profitability. Not by just Gross Margin, but a full P&L measuring net profit.

Make decisions based on Net Profit contribution, not just on Revenue.

4. Plan

Develop your Sales targets based on a plan, an articulated strategy and a clear positioning. Make sure everybody in the organization understands them, and their role in executing them. Product introductions, channel development and market development are joint business responsibilities of everyone in the organization, not just sales.

So, great advice but I am (was) the key supplier to a dinosaur big box, what do I do now? How do I survive the loss of +50% of my company's revenue?

1. Plan

Build a 'turnaround' survival plan, but do not delegate it – own it!

Act quickly and swiftly, as time is of the essence.

2. Core competence

Focus on your business's core competence and build a 'new business model' by falling back onto what you are really great at.

If you are not sure what this is, then ask your customers.

3. Cost base

Adjust your cost base to your new projected revenue, and do not dabble. Do it before the decline sets in; cut everything that does not contribute to the core competence.

4. Communicate

Communicate the 'new business model' to all stakeholders - your employees, your customers, your professional service providers and your suppliers - and engage their support in the survival of the business. You might be surprised by their loyalty.

5. Cash flow

Focus on cash flow. In challenging times, cash flow is paramount.

6. Processes

Adjust all business processes and key performance metrics to the new business model. If you do not measure it, then it must not be that important.

7. Go back...

...and implement the 4 lessons

- Balance the customer portfolio
- Own a Brand
- Calculate the profitability of exclusivity
- Plan

Many businesses have got into trouble but survived the challenges and in the end have come out stronger and more focused, because they grasped the opportunity to fundamentally change their business model.

Link to About.com- The retail Industry

<http://retailindustry.about.com/od/topusretailcompanies/a/chapter11retail.htm>