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## And the Survey Says: Focus On Selling

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By George Anderson

Retailers, wholesalers and CPG manufacturers in the eighties and nineties would have been better off today had they listened to the opening line of a Billy Preston classic: "Nothin' from nothin' leaves nothin'."

A recent study published by the GMDC Education Foundation, sponsored by Meridian Consulting Group and Premier Greetings, concludes that retailers (and manufacturers) that tried to 'save' their way to profitability during those years may have succeeded in some respects but in turn may not have focused on business growth to the degree necessary.

In a released statement, Roy White, vice president, education at the GMDC Educational Foundation said the limits of improving the bottom line through various efficiency and cost-cutting initiatives has been learned.

"Many are looking to reinvent themselves to achieve growth, create differentiation and fend off competitors. These organizations are beginning to understand that in order to deliver top-line growth, they need to take a broader view of their go-to-market approach, basic capability needs and the marketplace as a whole," he said.

The study, *Jump Starting Top-Line Growth*, polled senior and mid-level executives from 180 organizations in CPG and related businesses.

Sixty-seven percent of retailers/wholesalers responding to the survey said that they were looking for unit growth to be the primary driver of profits three years from now rather than cutting costs.

Sixty-two percent of retailers expect to find a means to greater profitability in the next three years through the development of new categories. Thirty-four percent see growth opportunities present in current categories. Seventy-two percent agree that to be successful, they will need to reinvent their business.

"The fact that such a high percentage of retailers are envisioning growth by developing new categories and transforming their organizations is significant in and of itself," said Mike Shinall, CEO of Meridian Consulting Group.

This transformation has led many to question the effectiveness of established practices such as the use of category management.

"Retailers manage hundreds of categories and are eager for a broader understanding of the overall business and their shoppers," said Mr. Shinall. "This expressed need for aisle and department intelligence reflects a growing desire among retailers to sell against consumer need states, which might be specific meal purposes, occasions or shopping objectives, say for grooming, beauty or snack products."

**Moderator's Comment: In general, are retailers prepared to make the changes necessary to truly reinvent their business as suggested in the results of GMDC's study? Are retailers and manufacturers on the same page to achieve the top-line growth that each party says it is looking for?**

We found it interesting in GMDC's study that a greater percentage of manufacturers expected to achieve top-line growth by increasing the number of channels they sell product through rather than selling more products through current channels. - [George Anderson - Moderator](#)

### **Comments**

I have always found that growth is much more difficult to achieve than cost savings (not to mention profitable growth). Cost savings is about management; there are many solid managers out there who can manage to a budget and consistently make their financial goals. Growth seems to be more a function of leadership, a much rarer skill.

To grow a business needs to have a product and service mix that people desire, the knowledge of who those people are and the ability to successfully convince customers to make a purchase. In addition, the business needs to be well managed so it can continue to meet its customer's needs and make a profit.

**Tom McGoldrick - BrainTrust Panelist**

The 72% who said they'll need to reinvent their business to be successful are exactly right. But this is not a battle between cost-saving strategies and revenue or sales-generating strategies. "Re-invention" will never happen unless there is a total "Re-thinking" first.

What is needed is a new way of thinking because the old way has taken retailers pretty well as far as it can. And, as many have discovered, working harder in the old way ain't going to do much for you.

Well over 90% of our behavior is controlled by our sub or non-conscious mind. On that level we find 'mind-sets' that are often disabling, risk-adverse and non-creative. When we talk about someone being 'set in his ways' we mean he won't change no matter what. Too many retailers are 'set in their ways' and it's those mind sets that have to change. Otherwise they literally cannot see the incredible opportunities all around them. "Reinvention" means to re-discover - it does not mean to tweak and fiddle.

Here's my mantra again: "Change your thinking - Change your results." Here's my starter list of what needs to be re-thought:

- 1) How to make management enablers instead of disablers
- 2) How to exchange costly artificial operational systems for more natural profitable ones.
- 3) How to establish 'flow' throughout the system instead of creating periodic gimmicks in the customer experience.
- 4) How to identify the critical innovative thinkers in your company, harvest their more profitable ideas and implement them throughout the organization.

And then the most important initiative:

5) Rethink why you're doing this business - find a higher purpose that will generate passion and performance from your people and attract customers like a magnet. **Ian Percy - BrainTrust Panelist**

We think that so much of the success of WM, Target, Costco and others has been through reducing costs in the supply chain. Not true. It's a result of relentless tasks focused on top line growth. The resulting cost savings, etc. are a result of maintaining the success of the operation as a result of the growth. It hasn't caused it. **Scanner**

In my view I believe most retailers are losing focus on the real issue of change. It seems they are worried about when the next Supercenter is going to open and not worried about what their customers want. I remember a speech I heard a long time ago talked about the 10 Commandments for Guaranteed Failure:

- I. Quit taking risks
- II. Be Content
- III. Before you make a move ask this question "What would the founder have done?"
- IV. Rely totally on experts and research to make decisions for you
- V. Once you have a formula for success never change it
- VI. Hide your mistakes
- VII. Be more concerned with status than with service
- VIII. Concentrate on your competition instead of your customers
- IX. Put yourself first
- X. That's good enough
- XI. Rationalizing the art of slowing down

If you heard through these you can apply many of them to what is or isn't happening today. **Joe Leathers - BrainTrust Panelist**

By coincidence, I was re-reading Michael Porter's seminal 1996 Harvard Business Review article, "What is Strategy?" in which he reminds readers that operational effectiveness is "necessary but not sufficient." His reasoning inspires the following thought process:

When all surviving retailers have implemented all available cost-savings practices and passed through their savings to the consumer (a competitive necessity), the industry will merely achieve a new, blander parity. Lacking differentiating strategy, but operating under ever more precarious margin structures, many retailers will resort to mergers to create the appearance of growth.

Only a few retailers today - or ever - display a true positioning strategy that can be leveraged to competitive advantage. Such a strategy is - to paraphrase Porter - a system of practices that makes a business difficult for competitors to duplicate or dislodge. Most retailers face a strategic choice. They may try to serve everybody by providing benchmark-level performance and try to win through superior execution. Or they may pursue strategic positioning - based on variety, needs, or access (also from Porter).

It's the difference between being Kroger and Trader Joe's in food sales, or between being Sears and Chico's in women's apparel. Mike Shinall (always a sharp observer in my experience) is at least partly right: it is important to recognize and provide for shopper's varying need states. A smart, strategic retailer will decide which of those needs to go after; meet those needs with a better overall value and experience; and tune its operations so it can deliver on those needs at least as effectively as its competitors. **James Tenser - BrainTrust Panelist**

It's very hard to find visionaries who can also be trusted to pursue great implementations. It's easier to name the obstacles and risks than find great solutions. Great entrepreneurs don't usually come up through the ranks of large organizations. Very few organizations, large or small, know how to use their potential.

Even if retail leaders know they have to reinvent their businesses, what proportion of them will commit? How many will set aside the resources (human, monetary, and time) needed? How many are willing to test alternatives appropriately?

Isn't it easier to pursue the familiar? And less risky? **Mark Lilien - BrainTrust Panelist**

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