



More Stores or Sales: Which Way Retailers Should Go?

A PRUDENT ADVICE FOR RETAILERS AIMING FOR PROFITABILITY IS THAT THEY SHOULD NOT JUST KEEP ON OPENING MORE AND MORE STORES, RATHER SHOULD FIRST FOCUS ON INCREASING THE FOOTFALL, THEREBY GENERATING MORE SAME-STORE SALES

By Harminder Sahni

→ I have observed this over last many years that many Indian retailers are driven by the excitement of opening more and more stores and not so much by the sales or profitability. The size and success of retail chains is measured in the number of stores and number of cities reached and much lesser in terms of sales achieved.

I was once again confronted with

this during my interaction with a retail entrepreneur. This gentleman has come from a non-retail and non-consumer background. Like many other entrepreneurs, a personal experience led him to start a retail venture to fulfill a need gap. He had no big plans or vision but was extremely passionate about the idea and decided to put in best along with

lifetime savings to start his first store – a specialty store focussed on a niche target customers and their specific needs. Now he has five stores in the same city and is doing reasonably well for himself. All stores are profitable but the company is still not making profits. The reason is that guided by some retail industry experts, he has built a team to manage 20 stores and has built a warehouse to stock for that many stores and has also invested in some IT solutions that are meant for a much larger business.

My first question to him was that why does he have a team and infrastructure for 20 stores while he doesn't have that many stores. He innocently replied he was advised that all this should be in place first and only then he will be able to set up and manage 20 stores. But irony is that he has spent all his capital in these assets and now is incurring losses in operating these assets. There is nothing wrong in putting infrastructure, teams and processes in place first but sometimes one needs to phase it out bit better so as to use

capital effectively.

Anyhow, my next question was that why did they plan to have 20 stores in 1 city? He looked at me with a doubtful expression and said obviously to increase our sales. He was right because it is quite obvious that more stores will bring in more sales. But, is opening more stores the only way to bring in more sales? I, for one, believe that for specialty retailers who probably are destination stores for consumers, there are many other options and opportunities to increase sales from same stores.



another or more stores. To open more stores is always the easier option but managing and making money from all stores is far trickier. The primary and core objective of a retail business is to serve the customers by making the right mix of merchandise available to them at the right place, right time and right price. The

Instead they should calculate the store performance in terms sales per square kilometre, i.e., the store's market share in the 1 sq.km., 4 kms, then in 9 sq.km. and then in the whole city. Each store should try to increase its market share in ever increasing catchment and not worry about the sales per square feet.

In the store, the management focus should be on providing necessary signage and innovative shelving to help customers shop faster and more efficiently. The next and equal priority should be faster checkouts. It is mostly at the checkout counters that customers need most attention. Whether by putting in more counters or faster cashiers, the retailer must ensure that each customer is checked out at the earliest. The cost of this effort is certain to pay back many times over. The decision to open more stores should solely be driven by the need to offer better service to customer

THE DECISION TO OPEN MORE STORES SHOULD SOLELY BE DRIVEN BY THE NEED TO OFFER BETTER SERVICE TO CUSTOMER AND TO SERVE THE CORE OBJECTIVES OF THE BUSINESS AND NOT ONLY FOR INCREASING SALES

INCREASING SAME STORE SALES

There are six distinct ways to increase same store sales:

- **Increase basket size:** Sell more of current categories to the current customers
- **Expand offer:** Sell more categories to the current customers
- **Increase footfalls:** Get more customers to the store – similar to current customers
- **Expand customer base:** Get more customers – different from current customers
- **Upsell and upgrade:** Get all customers to buy “better and pricier” items
- **Add non-store sales:** Service more customers from the store – without getting them to store

I reckon that for any retailer these should be the first actions to increase the sales of the company before starting to even think of opening

objective is certainly not to open stores. The stores are only means to achieve the core objective.

In case of the specialty retailer with whom I was discussing their need for increased sales, my advice was to spend money on creating brand equity to pull in more customers. I suggested to them to expand their offer to include more categories, items and brands so as to become a “category killer” that may help them in not only getting more customers but also in fending off competition while achieving far better sales from same store. I recommend that they should also invest in training their staff who can upgrade and upsell to customers in a manner that they feel better served.

My last advice to them was to not calculate their store productivity in terms of sales per square feet.

and to serve the core objectives of the business and not only for increasing sales. In fact, the emergence and success of online retailers is based on this fundamental fact only and they are on the path to prove that for becoming a successful retailers one doesn't need stores or for that matter even a single store.

I don't agree with this extreme view and believe that like everything else in life, the right answer lies somewhere in between. ☒

ABOUT THE AUTHOR



Management Consultant Harminder Sahni is the managing director of Wazir Advisors (www.wazir.in)