

# A Changing Market – Part 3

**Stuart Jackson** looks at the fact that the need to regain sales growth goes beyond simple profitability – it is central to sustaining the supply chain.

The last two features have dealt with a simmering discontentment that exists between retailers and suppliers.

Retailers believe that suppliers are bypassing them via the Internet or betraying them to competitors such as pharmacies and multiples. In contrast, the supplier is frustrated that shops have reduced their purchasing and become closed-minded to new products.

Health food shops must generate retail sales growth not just individually, but collectively as one market, to push UK-wide growth of the industry forward. Only this will restore the loyalty of suppliers, who as a result of a stagnant market are being forced to sell elsewhere.

## The current sales climate

Most established independent health food shops are experiencing at least single digit percentage year-on-year sales loss. Although much of this problem can still be attributed to trying to match the boom year of *You Are What You Eat* on Channel 4, it is also because of high interest rates and heavier competition.

Valid excuses as these are, equivalent responsibility lies with retailers' failure to modernise and embrace market trends. This theory is borne out by the success of new shops and those stores that have been "bought out" and are now flourishing under new management.

Established retailers must stay in touch with modern consumer needs, update



image, modernise product selection and utilise valuable management data that their business provides.

## Increasing sales

However one prefers to look at the myriad of tactics that can be employed to grow sales it is worth pausing to appreciate that there are only three strategies available. A retailer must either:

- Attract new customers
- Increase the amount each customer spends (ACT = Average Customer Transaction value)
- Increase the number of visits a current customer makes

## Picking the right strategy

Even the most basic mechanical till will report on the number of transactions and total sales per shift which allows the user to calculate the total number of customers (transaction count) and the ACT (sales divided by transaction count).

Recording these figures daily is essential to spotting and

reacting to trends. If you do not currently record these, start immediately.

The comparison of these figures against the same period last year permits retailers to ascertain whether it is a loss of customers or a reduction in the amount customers are spending that is to blame for a loss in revenue.

Since these two factors require very different remedial action, appropriate, targeted decisions to counter the identified problem can now be taken. Without this data, one is stumbling in the dark.

## The different tactics required

If the shop is suffering from a decline in the number of customers, it suggests that the marketing of the shop to the local community requires endeavour.

Every year, a retail shop can lose 20 to 30 per cent of its customer base from natural wastage. It is, therefore, crucial to be actively recruiting new customers from incomers and from locals converting to a

healthier lifestyle.

If the shop front is not attractive and no promotion to the community is conducted, customer recruitment will be no more than accidental and footfall will decline.

Alternatively, if the problem lies with the customer's "average spend", the cause is likely to lie with the standard of merchandising, promotions or stock selection and availability.

## The "catch 22"

A substantial number of retailers are struggling to even match last year's turnover and have understandably grabbed a firm hold of the purse strings, refusing to invest in new brands or a wide range of new merchandise.

In past times of economic strife, such as the early '90s "battening down the hatches" and waiting for better days was a perfectly rational strategy - after all, health food shops were the only place to buy healthy goods so when the consumer became confident again, business would return.

The current climate of zero

or negative sales growth has caused many retailers, especially those with long memories, to retreat into a safe corner until things get better. Unfortunately a monumental difference in trading environment exists; there is no recession.

The reason sales are hard to find does have something to do with recent hikes in interest rates but much more relevant is competition from online competitors and professional multiple retailers who offer pleasant shopping environments, the latest products, plentiful stock and even nutritional advice.

The catch 22 exists because "battening down the hatches" until better days will not see an automatic turnaround; it is only through retailers investing in new brands, services and image that growth will be regained.

To make the best use of cash, divert funds from sectors that

are tired into launching new brands and product categories that will yield fresh sales. Begin analysing the bottom 10 per cent of your stock holding and make deletions.

### Growth trends...

Are mainly in cosmetics, hair, body, skin and foot care, household cleaners, fair trade, special diets, herbal teas, snacks, snack bars, cereals, pre-packed commodities, cold drinks, herbal remedies, sports nutrition, baby foods/care along with organic versions of all the aforementioned.

Although not limiting growth at present, restrictive legislation currently affecting herbal remedies should be monitored and keep in mind that sports nutrition will be targeted for legislation in the future.

The next big consumer issue of carbon footprint has already surfaced and shows every sign of taking off to become a major

purchasing influence. As a result, locally- and nationally-sourced products are becoming popular again.

I urge all retailers to educate themselves on the carbon footprint issue and be prepared for consumer questions that will refer to their business as well as the products on offer.

### Basic yet crucial actions

Health food shops draw the core of their customer base from a radius of two miles and in ever-decreasing percentages; have influence up to eight miles.

■ Use leafleting to local offices and homes, develop reciprocal referral arrangements with practitioners, utilise the shop front to advertise services and liaise with community press.

■ Develop an internet site that can provide both information and sales.

■ Ensure that all product lines are kept in stock and on the retail shelves rather than in the storeroom, make special offers plentiful, of genuine value and visible through strong signage.

■ Make it as easy for the shopper to access the store with extended opening hours and acknowledge the regular visitor.

■ Keep the shop clean.

### The core message

The market has changed so invest to make sure your shop is changing with it in terms of product mix and presentation. Establish an internet presence and do all the simple things that can increase footfall and ACT. [HFB](#)



If you have any questions for Talking Shop or would like further information on Stuart Jackson's consultancy service, contact him on 0131 315 0303 or email [stuart@forceofnature.co.uk](mailto:stuart@forceofnature.co.uk) or visit [www.forceofnature.co.uk](http://www.forceofnature.co.uk)

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