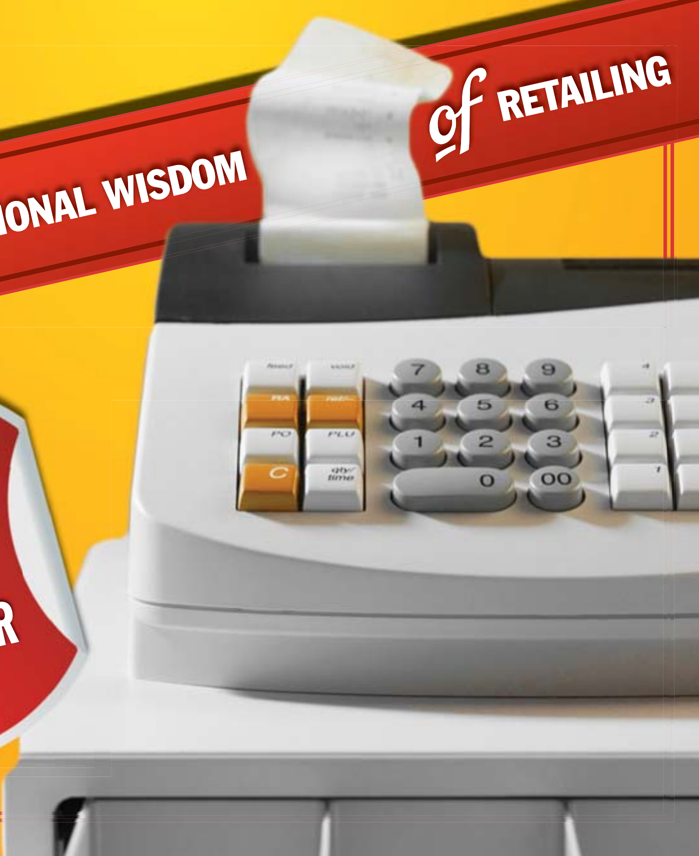
RETAIL TRUTHS

The UNCONVENTIONAL WISDOM *of* RETAILING



CHIP AVERWATER

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ABB PRESS

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RETAIL IS DETAIL

I was standing at the front of our musical instrument store not long ago when a boy rode up on his bike and came in. The salespeople were busy so I asked him how I could help. He asked me several questions and then said, “You mus’ be da owner here.” I smiled and said, “You’re a pretty smart little guy. How’d you know that?” He said, “Cuz you don’t know nothin’.”

It was an astute observation. I often feel that way, especially on the sales floor.

Yet I believe there are many things every surviving retailer learns.

Some are the complex concepts taught in business schools—double-entry accounting, contract law, creating financial statements, etc.

But far more are the practical insights and techniques gathered only on the frontline—negotiating with suppliers, choosing among job applicants, setting profitable prices, resolving employee disputes, sending messages to competitors, designing motivational incentive plans, firing employees, attracting bankers …. We learn these one-at-a-time, in the trenches, under-fire, and with considerable costs and consequences.

Many of my lessons were drilled into me by my father and grandfather, who hoped, for their sake and mine, I wouldn't need to repeat them. Others were shared or offered by example by my retailer friends (and a few enemies); vicariously is cost-effective learning if we just pay attention. Most, unfortunately, I paid full price for; lessons, it seems, are more convincing and memorable when we fully appreciate their consequences.

And now I pass my lessons on to you. You will, of course, have to test each one for yourself—truths ring true only with experience. But perhaps you'll recognize them more readily and more affordably than I did.

> "We are generally better persuaded by the reasons we discover ourselves than by those given to us by others."
>
> **—Blaise Pascal**

1

It looks so easy to be so hard.

Rent a space, order some merchandise, run an ad, and operate the cash register. Anybody can do that!

Apparently not. Estimates of the retailing failure rate range as high as 95 percent. And for those who fail, not only are their hard work and long hours unrewarded but, in most cases, their precious bets—usually their life savings—are lost.

Easy work and guaranteed returns are not in the description of retail.

2

It's not whether we can do it; it's whether we can do it best.

The challenge isn't in merely offering products the public wants to buy; we've got to do it better than all of our competitors.

Each shopper chooses only one store for his purchase, the one he feels offers the best value—not just quality and price but convenience, selection, security, atmosphere, etc.

The winner takes all. Second place gets nothing, no matter how great the effort or how close the race.

3

Retailing isn't one skill.

Try to define the skills of a successful retailer. We can create a list but regardless of its length it's inevitably incomplete.

A retailer needs abilities in sales, marketing, management, accounting, advertising, purchasing, hiring, training, finance, negotiating, collection, dispute resolution, public relations, real estate, insurance, law, and much more.

Specialists such as accountants and lawyers can provide some valuable expertise. But it's still the retailer who has to determine what advice to seek, how much he can afford, whose advice to accept, how much of it to apply, and how to balance it with other aspects of the business with which it inevitably conflicts.

> We've gotten so much good advice through the years it's a wonder we're still in business.

4

So few ways to succeed and so many ways to fail.

Ultimately there is only one way we can succeed in retail: provide products our customers want better than all of our competitors.

But there are countless ways we can get into trouble—uncontrolled expenses, buying mistakes, theft and fraud, unmotivated personnel, inadequate collection, poor people-management, pricing too high, pricing too low, bad product selection, ignorance of laws, too many or too few employees, inaccurate financial projections, overly optimistic expansions …. All the world conspires against a retailer.

With profits typically 1-3 percent of sales, the margin for error is frighteningly small. Every mistake is serious; combinations can be fatal.

5

The battles are decided on details.

Competition assures that differences between stores are small. Products are similar, sometimes identical; pricing is necessarily close; policies, methods, and hours are often indistinguishable.

Yet the shopper must choose. It's her money and she's determined to get the best value for it.

But on what criteria? With so much the same, little is left but details: location, décor, displays, signage, organization, cleanliness, knowledge and politeness of salespeople, speed of check-out, ease of return, width of aisles, background music, and a thousand other mundane—but critical—details.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

8

Impatience is a virtue.

Once conceived, an improvement can't be made soon enough; if it's a good idea, we should have already done it. Delays are simply intolerable.

We no sooner finish one project than we undertake the next, all with a sense of emergency. (This do-it-now urgency is a great source of frustration to those we charge with implementing our seemingly endless stream of brainchildren.)

There's pride in each accomplishment, but there's just no time to dwell on it—we've discovered other imperfections and opportunities and so much remains to be done.

> A psychologist once told me that motivation is a burden since a motivated person is never satisfied.
>
> On the other hand, "Success is a journey," and every step forward is a joy.

9

There's no finish line.

No retailer gets all the details right. Those who claim to are either "puffing" in their advertising or sales, or fantasizing, and need a strong dose of their customers' perceptions to shock them back to reality.

Even if it were possible, the feat would be short-lived; our competitors would quickly copy our formulas and techniques, close the gap, and require us to add new details and methods to again separate us from the pack.

Retailing is constantly evolving and improving. The best stores of ten years ago are out-of-date in today's markets.

There is no ultimate store, no ultimate service, no ultimate customer experience—and no rest for the retailer.

10

The details we miss would have been our profit.

Expenses typically absorb 97-99 percent of retail revenue. The 1-3 percent that remains as profit is tiny by comparison (but infinitely more desirable than the sea of red numbers that are possible).

We don't have to get all the details right, but each one we miss comes directly off the bottom line. And it doesn't take many missed details to turn the numbers red.

> "Here you have to run as fast as you can to stay where you are. If you want to get some place else, you have to run much faster."
>
> **—Red Queen, *Alice in Wonderland***

11

A store is a portrait of its owner.

Perhaps most people wouldn't consider a retail store a work of art. But a store is indeed an artistic creation, emanating from the founder's vision, interpreted and shaped according to his talents and skills, and made inevitably unique in its innumerable details.

The individual character of a store develops and evolves gradually—the accumulation of many large and small decisions we make (or ignore) over the course of its existence.

We rarely step back during the process to recognize the creation accruing from our daily efforts. But eventually every characteristic of the store—location, décor, staff, products, displays, organization, policies, methods, marketing, etc.—has been determined, directly or indirectly, by its owner.

The owner's vision is adopted by the staff, his priorities become the goals, his habits become the standards, and his style becomes the culture. Despite his (politically savvy) protests that many people play roles, he is indeed the producer and the product is his.

If you want to know the owner, walk through his store.

SELLING

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Salesmanship is 90 percent preparation, 10 percent presentation.

Good salesmanship begins before the customer arrives. Salespeople need knowledge, training, and rehearsal—before helping customers.

Unfortunately, retail seldom allows time and expense for that ideal. Too often our salespeople get their training on the sales floor, searching for information and answers beside our customers, and learning their communication skills from their mistakes.

15

Tricks and gimmicks don't sell; knowledge and communication do.

The fast-talking, back-slapping salesman stereotype might have been accurate at one time, but it isn't appropriate today. Tricking and cajoling customers into buying products they don't need just doesn't work. Customers are too smart to be tricked, refund policies ensure those sales don't stay sold, and such a store's reputation and trade would quickly deteriorate.

The art of retail selling is straightforward:

- Create rapport with the customer
- Collect information to define his need
- Match the need to appropriate products
- Communicate the options and differences
- Maintain focus on the decision
- Facilitate the financial transaction
- Ensure satisfaction

It really isn't any more complicated than that—but that doesn't mean it's easy.

16

Expecting to get the sale is half of getting it.

Confidence is contagious; unfortunately, so is lack of confidence.

A relaxed and assured manner fosters trust and communication. Customers subconsciously sense a salesperson's attitude and assume it's based on his confidence in his products and recommendations.

Conversations tend to mesh in style, attitude, and focus. When a customer perceives a salesperson's expectation that the conversation will culminate in a sale, he tends to adopt that expectation himself.

Confidence goes a long way in explaining how a salesperson can "get on a roll" and why busy salespeople typically have higher closing ratios.

> Whatever the product or environment, knowledge and confidence have always led the way in sales. A salesman who lacks either is just a clerk.

17

Confidence must be earned.

Some self-confidence is innate in personalities. Most is earned through study and practice.

The first step for a salesperson is learning the products. He has to be familiar enough with features and benefits to make quick summary comparisons and accurately match products with customer needs.

Then he has to practice his presentation of this information (preferably not on customers) until it becomes second nature.

A salesperson who knows and believes in the product and can present the information comfortably is naturally confident.

> Every time we send a salesman for concentrated product training, his sales of the product jump to a new level.
>
> The products haven't changed—only his understanding and confidence have. And they are highly persuasive to a customer with a product need.

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Knowledge speaks, wisdom listens.

Great salespeople are easy to spot; they listen when their customers speak. They know that what the customer says is more important than what they say. And when they listen they learn what the customer needs and will buy.

Listening builds trust and lowers customers' apprehension, defensiveness, and resistance. Customers' reluctance to talk to salespeople is due largely to salespeople's reputation (sometimes deserved) for being more interested in selling what they have than what the customer needs or wants. Asking and listening attentively is the obvious solution.

But listening requires discipline and self-restraint. When a strong sales point comes to mind, we're naturally eager to present it. A good salesperson resists that urge until the timing is right. When a customer speaks, he stops what he's saying—often mid-sentence—no matter how important his thought. He knows a customer who is talking isn't listening. If the idea is important, it will get better consideration if he holds it for a more receptive moment.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

> Among the best salespeople I've worked with through the years, a common denominator has been a dependable memory (or system) for names and faces, a warm and welcoming manner, and an eagerness to listen and help.

20

There is no magic close.

Retail salespeople sometimes talk about "closing" as though what the salesperson says at the end of the conversation makes everything that came before it irrelevant. "He's getting customers; he just doesn't know how to close them."

There is no secret combination of words or mystic phrase that causes customers to buy indiscriminately. A customer buys when all the pieces are in place: he has a need, the need is correctly identified, suitable products are shown, he believes a product matches his need, he feels the price is fair, the money is available ....

True, once an appropriate product is identified, the salesperson should maintain focus on a decision and ask what else needs to be done to facilitate the sale. Many customers need that encouragement.

However, if any of the requisite steps haven't been adequately completed, there is no (legal) phrase that will make the customer buy. The problem is not in the "close" but in the steps that came before it.

21

A return policy is a tool, not a rule.

The purpose of a return policy is to encourage sales, not to limit when and how customers can return something they're unhappy with. "Take it with you. If you don't like it, you can bring it back."

Smart retailers don't reluctantly offer return policies—they promote and advertise them. Not only do such policies create more sales, but if a customer is unhappy with a purchase, we don't want him to keep it and be continually reminded of the bad experience with our store.

We have to forget about the few who abuse a return policy and focus on those who buy more because of the reassurance. The cost of a return is negligible if the merchandise isn't damaged. And even those who buy intending to return often don't get around to it or change their minds and keep the product.

> In the '80s a chain of electronics stores, McDuff's, had its salespeople greet customers at the door with a printed copy of their liberal return policy and low price guarantee. Presumably they recognized that those two policies eliminated most hesitancy to purchase.

22

Be-backs don't come back.

A rookie counts "be backs" as future sales; veterans recognize them as missed sales.

"I'll be back" is what customers say to extricate themselves from the situation without disappointing the salesperson. Even those customers who believe they'll come back seldom do; they get distracted, lose their motivation, find other options, or simply procrastinate.

When a customer says he'll be back or asks for a card, we should ask if we've shown him the correct product, answered his questions, and provided enough information. If he answers yes, he'll typically say he just needs to think about it, which translates as "I'm not yet convinced that this is the right product or best price." If he is receptive to further discussion, we should continue asking questions and providing information.

If the customer declines to continue the conversation, we can offer to send him some literature, collect some additional information for him, or call him if it goes on sale.

23

Follow-up is the great divide between average and outstanding salesmen.

Following up means staying in touch with prospective buyers, calling, mailing, or emailing with additional information, keeping the purchase active in the customer's mind, and providing whatever help the customer needs to make his decision.

For big ticket merchandise, it's virtually impossible to be a top salesperson without consistent follow-up. It can as much as double or triple sales.

A salesperson should always have a helpful reason for calling or mailing—collected more information about the product, availability, options, or pricing; located an alternative product they might be interested in; an invitation to a coming event; an upcoming sale .... Reasons are abundant when the salesman has determination.

> Our piano department stages a variety of follow-up contests. In one they set a goal of six follow-up calls per day per salesperson. Each person who doesn't make his six calls in a day puts a dollar in the pot. The company puts in $10 for the week. At the end of the week the salesperson with the most follow-ups gets 60 percent of the pot, the second most 40 percent. The amount of money isn't the attraction; it's the pride (or dishonor) of the outcome.
>
> Not surprisingly, the winner each week almost always has the highest sales too.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

24

“Satisfied” is a slow way to build business.

Surveys of retail customers often list “satisfied” as the highest possible rating of a retail experience. It’s no wonder unhappy customers tell more people about their experiences than happy customers.

Customers are at best “satisfied” because companies almost never do more than they promise.

We don’t need satisfied customers; we need customers who are surprised and impressed.

Salespeople have lots of opportunities to exceed a customer’s expectations: help him with his initial use of the product, send a thank you note, add a bow and a card to a delivery, estimate 2-week order delivery and deliver in 10 days, refer someone to the customer in his business ….

> I once hired a landscaper to build a wall and terrace. When he finished he proudly showed me some steps he had added that weren’t part of our agreement. He told me he liked to give his customers more than he promised so they’d remember him.
>
> It’s been more than twenty years but I still remember his name and have recommended him to many people. I suspect he’s recovered the costs of those steps many times over.

25

Just because they don't complain doesn't mean they're happy.

Customers don't like to be complainers. Some would rather stew in their dissatisfaction, tell their friends and neighbors about it and swear off any further business with us than tell us they're unhappy.

A retailer can't afford many unhappy customers. His market is his community. He depends on relationships and his reputation in the community for continuing business.

Many smart retailers take no chances; they contact their customers and ask if they're happy.

26

Complaints are opportunities to create loyal customers.

Ever notice that our most loyal customers are often those who once had a complaint that we resolved? (Should we screw up more often just so we can fix it?)

A little attention usually makes up for a mistake, and our concern and determination to make it right demonstrate our standards and trustworthiness. The resulting relationship is a bond competitors can't easily break.

A local violin teacher gave us fits for a while. She laid out precise specifications for the instruments we rented to her students and expected each instrument to come with some unusual accessories and music.

We were happy to accommodate, of course. But if any of our salespeople in any of our stores didn't catch that a renter was her student or overlooked any detail, I was sure to get a scorching phone call and extensive scolding.

To make things more challenging, this teacher refused to set foot in our stores or have a civil phone conversation. She wanted nothing to do with us and seemed hell-bent on proving our stupidity to everyone.

After a couple of months of this, I bought a country ham and a Christmas card and knocked on her door. I had to introduce myself as we'd never met. She was completely off-guard and asked several times why I was bringing her a ham. I said it was to thank her for her patience—a poor choice of words since she obviously had none, but she accepted the ham just the same.

From that day forward she was one of our most loyal music teachers, sending innumerable customers to us with specific lists of merchandise to rent or buy (most of which far exceeded the cost of a ham). When she retired we felt it all the way to the bottom line.

PRICING

28

Pricing is the delicate balance between making sales and making a profit.

Every retailer is torn between selling for less to create sales and selling for more to create profits. Survival depends on finding the narrow ground between.

But that thin space isn't clearly defined. The price at which profits disappear isn't just the wholesale cost—it must include a share of the many individual expenses incurred by the business.

Even when we know where our prices should stop, our competitors often don't. Sometimes they're too inexperienced to recognize it; sometimes they miscalculate it; most often they simply don't do the math. They eventually succumb to their lack of profitability, but it matters little since they're soon replaced by another with all the same lessons to learn.

30

The right price isn't a multiple of wholesale.

Some retailers have a sense for pricing that both enhances their profits and creates customers. Others price according to an old and unsophisticated rule of thumb—fixed percentage markup from wholesale.

Percentage markup assumes that all of the expenses of a sale are determined by the product's wholesale cost. While a few are (cost of capital, insurance, etc.), far more are functions of labor, occupancy, support, and all the other expenses of retail.

Pricing correctly means individually and by feel, with consideration given to the total expenses of the sale, customers' price sensitivity, competitive options, and the sale's potential contribution to other business.

Only occasionally and by coincidence should markup percentages match.

> Larry Thomas, former co-president of the Guitar Center chain, offered his trainees an anecdote: You find a $10 bill on the street. It cost you nothing. If someone offers you $5 for it, should you take it? Why not?

31

The last few percentage points are the profit.

According to the US Economic Census, the net profit of a retailer after everyone and everything else are paid is typically 1-3 percent of total sales.

When we're too aggressive in our pricing, give unnecessary discounts, or make any of the myriad mistakes in buying and selling, a sale easily turns into a loss—and the loss isn't limited to the 1-3 percent we hoped to make. We dig deeply into our back pockets to pay for each of out mistakes.

A rookie retailer doesn't sense the price of his mistakes as he makes them—they're obscured in an ocean of transactions. But after a few year-ends in which he contemplates miniscule or negative returns for his year of labor, his mistakes take on painful new meaning.

32

Volume feeds egos, profit feeds families.

Chasing sales becomes so habitual and impulsive for retailers that we sometimes forget that the goal is not making more sales but making a profit. The two don't necessarily go together—when we price too low they're inversely related.

Many business fables tell of retailers being “busy until the day we went out of business.” No matter how many times we’ve heard the lesson, the irony of losing money while making sales continues to surprise and amuse us.

A wise retailer doesn’t set goals only for the top line of the financial statement; he focuses equal attention on the critical lines below. Only the combination determines whether and how his efforts are rewarded.

33

Wholesale is the cost of the merchandise, not the cost of the sale.

The price paid the manufacturer is only the first of many expenses in a transaction. Sales can’t be made without expenses for rent, salaries, advertising, utilities, telephones, freight, maintenance, taxes ….

Just because a sale has a gross margin doesn’t mean it’s profitable. Unless the price covers all of the sale’s expenses we take money out of our pockets to make it.

34

Which sales should bear the operating expenses?

Many salesmen and some managers subscribe to the notion of incremental sales and profits: “Our expenses are fixed so we should accept every sale that has a positive gross margin.”

It would be nice to fix expenses; unfortunately increases in sales require increases in personnel, space, inventory, handling, and virtually every other expense of doing business. The increases aren't always in a smooth progression, but they're depressingly reliable. (If our expenses don't increase on one extra sale, on which sale do they?)

In highly competitive retail fields like new-car sales, savvy shoppers are often able to negotiate deals that avoid their share of costs, and dealers make it up on unwary buyers. The public recognizes the innate unfairness of this and the dealer's (and the industry's) reputation suffers.

Every sale incurs operating expenses and its price should be sufficient to cover them plus a fair contribution to profit.

35

A good retailer is an avid mathematician.

A retailer needs a clear idea of his costs in every sale, service, and activity his store engages in. The information is critical not only in setting prices but in deciding what to stock, what to promote, and where to channel the store's investment and efforts.

A "feel" for costs is never accurate; a business has too many expenses to remember and we chronically underestimate them. (Otherwise we wouldn't complain so unpleasantly when the bills come in.)

For a true understanding of costs, we have to periodically sit down with a spreadsheet and divide the whole list of expenses across our sales of products and services. Only then do our costs become clear.

36

There is always someone to ensure we're not the low price.

Weaker competitors instinctively know they'll be the customers' choice only if they offer lower prices. Many simply set their prices below the other stores as a matter of habit. Instead of understanding their costs they grasp at every potential sale and cross their fingers that there will be a little profit left when the dust settles.

It's futile and suicidal to try to price below these competitors—when you drop your price, they drop theirs further.

Most of us have been tempted to help them destroy their pesky businesses by pushing prices lower. It's a pleasant daydream but a costly and usually ineffective tactic. New competitors would quickly fill the void like the never-ending swarm of mosquitoes from a forest. And prices often become entrenched at the lower levels and are difficult to restore to reasonableness.

Differentiation is almost always a better strategy—offer better products and services that customers are willing to pay more for.

It's sometimes possible (and often satisfying) to confuse your competitors and frustrate their efforts to underprice you.

One of our managers routinely printed higher price-lists before the beginning of each back-to-school season and sent copies to our competitors' favorite customers and allies.

He released his real pricelist only on the first day of the season. Competitors who caught it then could either scramble to reset their prices and revise their advertising or stay with their higher pricing.

37

He who underestimates his costs gets the sale.

When multiple retailers are pitted against one another in price wars and bidding, there's almost always one who misjudges his expenses and "wins" the sale at an unprofitable price.

A little thought and calculation might allow him to discover his errors. Most, however, never separate their low-margin sales and expenses from the rest, and repeat their mistakes as long as . . .

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

PROFIT

43

Profit is not immoral.

Some people feel that selling something for more than was paid for it is somehow dishonest—that a company can be profitable only by ripping off its customers.

They view every transaction as a zero-sum game: one party wins only when the other loses. They don't recognize that in a good transaction both parties benefit—both get something they would rather have than what they gave to get it.

A shopper chooses the best value available to him to meet his particular need. The store that anticipated the need and met it more attractively than its competitors gets the sale. The store's profit isn't due to ripping the customer off; it's the store's payment (and incentive) for anticipating and meeting the customer's need.

If the customer is unhappy with his purchase, he'll stop buying from the store. If the store is unhappy with its profit, it will stop selling the product or serving the market. But if both are satisfied, they'll continue doing business together.

Profit is far from immoral. It's the most effective and efficient economic incentive yet devised and has created for all of us the highest standards of living the world has ever known.

> "Some regard private enterprise as if it were a predatory tiger to be shot. Others look upon it as a cow that they can milk. Only a handful see it for what it really is—the strong horse that pulls the whole cart."
>
> **—Winston Churchill**

44

A retailer deserves payment for his work, too.

No one expects a painter to paint his house for the cost of the paint, a yardman to mow his lawn for the cost of the gasoline, or a carpenter to build his house for the cost of the lumber. Nor should anyone expect a retailer to tend a store for the cost of the merchandise.

Retailers and their salespeople have families to support and bills to pay too. Profit on their sales is their income—the only source of revenue to pay for the services they provide.

Profit is to a retailer what a wage is to a workman, a tip to a waiter, and a salary to a school teacher.

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Our profit isn't a criterion in our customer's decision.

When a customer needs a product, he compares the offerings in the market and selects the best value for his money. If he perceives our offer to be the best available to him, he buys from us. What we paid for the merchandise isn't a factor in his choice.

Sales are an indication a retailer is providing a valuable service—a better value than otherwise available in the market. If he's able to make a profit in the process, he's earned it. It allows and encourages him to provide the service.

Knowledgeable people understand the necessity and fairness of profits. Those who don't should be a source of embarrassment to themselves, not to us.

> "Profit…(is) a vote of confidence from society that what is offered by the firm is valued."
>
> **—Konosuke Matsushita**

46

Profit is the fraction that sometimes remains after everyone else is paid.

A retailer's largest expense is to his manufacturers for the merchandise he sells—typically 55-75 percent of sales income, according to the 2007 US Economic Census. He pays his employees 12-20 percent of sales, plus benefits of 2-4 percent of sales. Then there's rent, utilities, and insurance, amounting to 3-8% of sales. Telephones, advertising, office supplies, computers and equipment, accounting, and a hundred other miscellaneous expenses typically take 8-14 percent. And then there are the unexpected expenses, the only surprise being which ones and how much.

Will there be anything left? That's the question that deprives a retailer of significant sleep. It creates his notorious obsession with expenses and earns him his reputation as "frugal," "scrooge," "tight bastard," and some less printable.

If sales are good and a retailer manages expenses carefully, he might achieve the 1-3 percent net profit the Economic Census says is average (before the government takes as much as half).

When things don't go as well, he works for free or takes a loss. And, as many unsuccessful retailers can attest, while competition and taxes restrict profits, the losses have no limits.

50

Profit makes a better workplace.

Profit allows a store to pay higher wages, provide better benefits and perks, afford new technologies, and create a more comfortable and attractive work environment.

Profit relieves constant performance pressures and avoids looming threats of layoffs and dismissals; it gives management and employees latitude to try innovative ideas and promotions and to expand into new opportunities and products. It affords the personnel and equipment needed to serve customers well and create a base of customers who respect and appreciate the store and its employees.

Creating a good workplace is much easier when we have profits to work with.

51

Profit is every employee's business.

Managers who assume employees aren't interested in or can't handle profit information underestimate their people. It would be a poor employee who never gave a thought to the store's need to sell for more than what it pays.

Without access to actual numbers employees envision the store's gross margin to be mostly net profit, and they assume the owner takes it home—profoundly wrong data for decision making as well as for engendering commitment.

With the exception of individual payroll information (which everyone expects to be confidential but rarely is), a P&L contains few numbers that are critically sensitive. Employees can not only understand income and expense items but can directly influence many of them.

52

Retail doesn't get rave reviews.

Most shoppers agree that the typical retail experience isn't good. Many say they hate to shop—stores are crowded, parking is distant, help is rarely available, lines are long, salespeople don't know the products ….

It's strange and unfortunate that retail can't rate better satisfaction, especially considering the army of talented business people focused on it. Maybe it's that consumers experience retailing almost daily and become highly discriminating in their standards. Or perhaps they see excellent examples of particular aspects of retailing individually, but rarely does any retailer get it all right at once.

More likely it's that a store with ideal facilities and an abundance of top quality salespeople is too expensive to be competitive.

Whatever the reason, a retailer can expect little sympathy from his customers. Their patience is thin, their budgets stretched, and they are ever-conscious of their power to take their business elsewhere.

53

They crave the low price but curse the poor service.

Most shoppers subconsciously recognize the realities of price/service trade-offs—they can have low prices or they can have good service, but not both.

Great service in retailing isn't a secret formula—it's mostly a matter of quantity and quality of employees. A retailer who wants to improve service simply hires more and better people. And all would, if price competition didn't constrain expenses. The challenge is in finding the balance between service and price that appeals to customers.

When customers choose a store they're choosing the service and amenities they're willing to pay for. But just having to choose is frustrating. Everyone wants to believe they can get low prices without compromises in service. Occasionally it works out; often it leads to disappointment and dissatisfaction.

54

Expectations rise with every contact.

The last experience is the new standard.

Attentive salespeople make an impression today, but if they're not available tomorrow it's not only a missed opportunity—the customer feels slighted. New displays and fresh décor impress a customer on the first visit or two but soon are hardly noticed; when décor deteriorates, the store is perceived in decline. A consistent record of having what the customer needs only makes a stock-out more disappointing.

In retail, maintaining service, systems and facilities isn't enough. Only continuous improvement keeps customers.

55

No retailer ever won a battle with a customer.

OK, it's true—customers are sometimes just wrong. They misunderstand products, what a store can do, how business is done, or what pricing is realistic. Sometimes they seem totally unreasonable.

But even when our logic is flawless and our facts undeniable, presenting them doesn't get the results we want. If we show customers they're wrong or how much they don't know, we only embarrass them and increase their unhappiness with us.

It's almost always more productive to swallow our pride, apologize for the perceived injustice, and make it "right." Our win is getting the business and keeping the customer.

56

A jilted customer makes revenge a mission.

It's hardly worth any price to have a customer mad at us. He goes out of his way, not just to get even, but to inflict considerably more damage on us than he feels we've caused him.

The problem is typically that the customer feels neglected and disrespected by an impersonal and uncaring business. He assumes, rightly or wrongly, that getting its attention will be difficult, and anticipation of this frustration builds animosity even before he seeks resolution. And because he perceives the enemy as larger than he is, he believes the "justice" he exacts must be multiplied to be felt.

The solution is usually as simple as taking time to show him that our business consists of real people and our people do care about him and his transaction.

57

Happy customers come and go; unhappy customers accumulate.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

59

Customers love social causes but they buy value.

"Buy American." "Boycott companies that underpay laborers." "Buy from companies that protect the environment." "Support our local businesses."

Everyone empathizes with a good cause. But when it comes to our money, there's a cause we hold dearer: getting the best value.

Many social causes deserve our support—indeed our survival may even depend on them. But ultimately the decision whether or not to support them is the consumer's, not the retailer's. If we attempt to choose for our customers, they'll simply follow their preferences elsewhere.

> Despite Wal-Mart's extraordinary success in retailing, bad publicity regularly haunts them for sourcing from low-wage areas, lopsided price negotiating with suppliers, displacement of local retailers, etc. As a society we're torn between the social effects of their price efficiency and the savings they bring us as consumers.
>
> Regardless of the often-expressed social concerns, Wal-Mart remains the world's leading retailer. We disdain the killing but we eat the meat.

60

"I know you have to make a profit; I just don't want you to make it on me."

This is often said with a smile, but not really in jest. It doesn't occur to them that they're really saying, "I'd like you to do some work for me, but I don't want to pay you for it. Put it on the next guy's bill."

Despite the vague understanding that a store sells its merchandise for more than it paid for it, few outside of retailing comprehend and accept the need for this. Profit is regarded more as a windfall to a business than a necessity, finagled rather than earned, and something to be resisted by every savvy consumer.

61

A sales presentation is not the place to give a business education.

Understanding is the key to relationships. However, most customers' understanding of business is so limited that any discussion of it is counterproductive. It raises so many new questions that the relationship goes backward instead of forward.

Explaining wholesale costs is almost never an effective price-negotiating technique. Although most customers recognize that merchandise has a wholesale cost, they aren't always convinced that a sale must cover it, and few indeed comprehend the breadth of expenses that a store incurs or the need for each sale to contribute to them.

In most cases we do best listening thoroughly to our customer's expectations and exploring for an option acceptable to both parties. It's not necessary for the customer to understand our side to be happy with his.

A lady who sold us a used trumpet got seller's remorse and came back to demand her trumpet back.

In an accusatory tone she told me that she knew we were going to sell her trumpet for more than we had given her. When I agreed she froze. It seemed she had prepared an elaborate argument to expose the fact that we were making a profit on our sales.

I offered to give her the trumpet back and we discussed what she could probably sell it for and what efforts it would require. She decided she was better off selling it to us.

I doubt she'll ever be comfortable with us making a profit on her transaction, but she did assess, correctly I believe, how she would come out best.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

63

A low price won't excuse us from service and problems.

No matter how good a price we give an old friend, a relative, or a tough customer, we'll still be expected to take care of any problems, defects, and unforeseen labor and expenses that arise.

Our customer doesn't consider that the low price they paid us included little or nothing to cover problems—they paid us for the product and they look to us to solve the problems.

A sale that doesn't include some profit as insurance against such eventualities doesn't cover its costs. (It's not necessary to include enough in each sale to cover every possible problem—only that every sale contributes to an "insurance fund" that, in sum, is sufficient to cover the problems that occasionally but inevitably arise.)

64

"Take it back where you bought it" only alienates the nearly converted.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

INVENTORY

101

We can't sell what we don't have.

The basic function of retailing is anticipating what products customers will want and making them conveniently available when customers are ready to buy. If we miss at this, nothing else can make up—we're simply out of the game.

Since we can't precisely predict how many of which items will sell and when, we make our best guesses (aided hopefully by historical data and trends). When we guess low, we miss sales; when we guess high, we waste investment that could have been put into other merchandise that would sell.

102

Inventory is marketing too.

An academic once observed (profoundly, apparently), "Inventory is the price a business pays for lack of information." In other words, if we knew exactly what we were going to sell and when, we would stock only those products and only at the precise times they were needed. Shelves wouldn't be needed as they'd be empty.

Perhaps that's true in a manufacturing or warehouse business, but it doesn't work in retail.

The breadth and depth of a store's inventory makes a strong marketing statement to retail customers. Their impression of it on one visit determines whether they'll return later for a different need. In addition some customers won't make a purchase until they've seen their options—and they shop where they believe those options are available.

Success in retail depends on having inventory. Inventory capital should be invested wisely—but wisely doesn't mean minimizing inventory.

A store is not a store without inventory.

103

Customers want choices, even when the choice is clear.

Stocking just the big sellers seems a logical and efficient strategy. But big sellers often aren't big sellers when there's nothing for customers to compare them to.

Shoppers want selections. They want to consider differences, compare prices, and determine for themselves which products best meet their needs. The more significant the purchase, the more thoroughly they want to compare.

We can have exactly the product they need and will eventually buy, and be able to explain why, but unless it's a minor purchase they won't buy it until they've seen for themselves what else is available.

This means we occasionally have to stock products more for comparisons than for expected sales. We don't need every product on the market—too many choices confuse shoppers. In most cases a product on each side of the big seller is appropriate, as most shoppers are skeptical of the least expensive and believe they don't need the most expensive.

104

No inventory is ever enough.

Normal people dream about tropical islands and sexy partners. Retailers dream about the stores we could build, the selections we could offer, the customers we could satisfy, the sales we could achieve—if only we could afford more inventory. Like the rabbit at the greyhound track, the investment we “need” is always just beyond our reach.

Unfortunately, as we tell our sadly underprivileged kids, we have to learn to live within our means. That means choosing carefully (and painfully) the items that offer our companies the best return and the best fit with our marketing strategy.

105

Love your products, but only for their sales.

We should get to know our products well, use them whenever we can, recognize and appreciate their benefits, believe in them, and talk them up. But we should love them only as merchandise.

Many of us were attracted to our areas of retail by the products. Sometimes they were part of a hobby that has long fascinated us or a field we’ve accumulated expertise in. Knowledge and experience create affinity.

But our personal attractions should not influence our merchandise selection. We’re stocking a store, not a recreation center or museum.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

MANAGING PEOPLE

255

Good people management is an attitude, not a technique.

The wide gulf between good and bad managers is really one simple perception: good managers understand that people are not only willing to work, but want to be on the team and contribute to its goals.

That attitude more than any other characteristic or ability defines the world's inspirational and effective managers. They treat their people like willing, capable, and valuable team members, and they help them get involved and contribute.

When the manager has the right attitude, employees not only give their best efforts but love their work (and their manager).

In an adult recreational basketball league, players run and jump as long as their lungs and legs allow, fight for rebounds and loose balls, cover themselves in sweat, and exert themselves to the point of exhaustion. They yell, cheer, and exchange high fives, celebrate their wins, and mourn their losses.

Why? The game pays nothing—in most cases they have to pay to play. All they get is sore muscles and dirty clothes. Yet they replay the games in their minds, relive (and brag about) their good plays, and eagerly await the next game.

Because they want to be on a team, work toward a goal, participate in the challenges, and enjoy the respect and recognition of a job well done. That's enough to generate extraordinary effort.

256

Managers don't create motivation —employees bring it.

New employees are excited about their jobs. They're eager to learn their parts, hone their knowledge and skills, make their contributions, and become valuable team members.

We don't create that motivation; employees have it on their first day. Our role is simply not to kill it.

We explain the objectives to them, assure that they get the necessary training and tools, provide ongoing information and feedback, and recognize and respect their efforts and contributions. When we do that well, their enthusiasm and commitment build with their abilities, and they're able to play increasingly important roles.

> "A company's most important assets walk out the door every evening; the manager's job is to make sure they come back the next day."
>
> **—Bill McCormick, Jordan Kitts Music**

257

Players need to see the scoreboard too.

Effective managers share goals so all employees can participate in their achievement. "Here's what we're trying to accomplish …. This is how we can work together to make it happen …. Here's your part …. This is why it's important to all of us …. This is how we'll judge how we're doing …."

We tell them the rules of the game, share the strategy, give them a position to play—and let them see the score.

We struggle with how much information we should share—what employees really need to know and what's too sensitive to let out. Yes, there's a proper balance. But we rarely get close to it and always err on the side of too little. Not much information is really as sensitive as we think, and our employees are more committed and understanding than we imagine.

258

Motivated employees find ways; unmotivated employees find excuses.

Our motivated employees take pride in what they accomplish. They're constantly on the lookout for ways to do their work faster and better. They feel their responsibilities are important and they fight to achieve the goals they share with us and their co-workers.

An unmotivated employee doesn't care whether the work gets done. He does only what he has to do to avoid reprimand and looks for ways to reduce his workload. If his attitude gets bad enough, he can even direct his efforts to sabotage of management and the company—sometimes for amusement, but often as revenge for respect he feels he's been denied or injustices he feels he's suffered.

259

Why is a mighty motivator.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

261

To get respect give respect.

We like people who like us. We agree with their taste, bask in their admiration, and enjoy being with them. We understand and empathize with them, like to see them happy, and welcome opportunities to help them.

We dislike people who don't like us. Their failure to understand and appreciate our abilities, knowledge, interests, and accomplishments makes them unworthy of our friendship. Time with them is unpleasant so we try to avoid them. We have no inclination to help them; better to see them fail—and sometimes we can help them fail.

There is something to respect in everyone. If we have trouble finding it, we can let them help us. "Tell me about yourself," is a reliable beginning.

Showing respect is simple and inexpensive—phrasing communication politely, taking the time to listen and understand their viewpoints, recognizing their abilities and contributions, offering a word of appreciation, etc.

> An old English proverb says, "Civility costs nothing."

262

Treat them as if they are what you want them to become.

When employees disappoint, badgering and scolding seldom accomplish desired results; usually they backfire into bad attitude, poor self-image, and rebellion. Better to reinforce positive behaviors and think of less desirable behaviors as temporary and uncharacteristic.

Our people like us when we have high opinions of them and they're proud when they live up to our expectations.

> To make a person thoughtful, respect his thoughts; to make him trustworthy, show him trust; to make him responsible, give him responsibility.

263

90% of employees believe they're in the top 10% of performers.

Since this seems unlikely, test it on a sample of employees. But don't share the results—they won't be motivating.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

PEOPLE PROBLEMS

285

We can expect perfection in others when we find it in the mirror.

There are no perfect employees. Some aspect of everyone can stand improvement—organization, focus, punctuality, sociability, accuracy, patience, determination, appearance, manners, language, etc. Life has too many facets for any of us to be ideal in all of them.

Replacing an employee for a minor shortcoming is seldom an effective remedy. We only trade faults we know for others we don't; the range is wide and some are much more than minor aggravations.

Our task is not collecting perfect people, but collecting good people whose strengths in their particular jobs outweigh their weaknesses.

286

Two pieces of praise make criticism a palatable sandwich.

Suggestions for improvement needn't be as sensitive as some fear. Establishing a regular routine of discussing progress is key, and balancing suggestions with compliments keeps the conversation positive. "Nice job on …. How do you think you're doing with …? I noticed you've gotten really good at …. To solve your challenge with …, have you considered …? Congratulations on …."

A manager's role is combination coach/cheerleader/fan. Once employees recognize that, channels of communication can open wide.

287

There's never a need to remind them who's boss.

Despite the cliché, no employee ever really forgets who's the boss. A manager's authority looms constantly over the workplace and all employees fear his disapproval.

A manager who reminds employees of his authority, directly, by insinuation, or even in subtle body language, is resented. No one likes being at someone else's mercy. And the implications of imposing authority—that an employee must be commanded to do what's right—are an insult likely to do lasting damage to motivation and attitudes.

The philosophy that employees want to do what's right because it's right, not because we tell them to, is quickly recognized and subscribed to. If someone on staff doesn't fit this description, they simply don't belong in the company.

We gain respect and appreciation when we treat employees as collaborators and are reluctant to wield our authority.

288

The measure of a manager is the situations he can handle amiably.

Getting things done is the basic requirement of management; getting things done willingly and enthusiastically is the high art of management. The difference is significant—it determines how much and how well work is done, as well as the quality and longevity of employees.

Impatience and frustration are in the definition of manager, but they should never show a public face. A good manager can deliver even the most difficult messages with respect and consideration.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

301

A manager is not a referee.

A manager can't resolve disputes between employees. Whatever solution he imposes will inevitably be resented by at least one side, and hard feelings not only remain but are ratcheted up by his involvement. The battle continues, only clandestinely, where damage runs deeper and is harder to resolve.

A dispute is over not when we say it is, but when the two parties decide they want to get along.

The solution is often in "asking" them to work it out: "It's not good for the company for the two of you to be fighting. Please get together and resolve this."

(Such a request includes implications that need no elaboration.)

302

People with the same information are of the same opinion.

Disagreements are seldom due to the selfishness and stupidity we sometimes attribute them to. In most cases they're the result of differing sets of information.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

CASH FLOW

337

Profit isn't cash flow and is often its opposite.

At some point every successful retailer asks, "If I'm doing so well, where the hell's the money?"

One of the great disappointments of retailing is that making a profit doesn't mean having cash in the bank. Profits require sales, and sales require investments in inventory, leasehold improvements, and equipment. The problem is compounded further when sales go to accounts receivable.

Profits do improve the balance sheet but the enhancement is rarely to cash in the bank.

Ironically, it's only when the cycle slows and investment is reduced that cash becomes available.

After ten years of double-digit sales growth, I was depressed to find that our debt had increased with every sales increase. The company was profitable and equity was growing, but we couldn't take it out and it appeared we never would—it was becoming more difficult to get even our salaries out. It seemed our success wasn't making us wealthy; it was getting us deeper into debt. And transferring company ownership to the next generation, a seemingly unending process in our family business, was getting ever more complex.

Our projections showed we simply couldn't continue the sales increases indefinitely—we didn't have the resources to support them. The exercise forced us to plan slower growth, cut out non-productive investments, work on improved efficiency, and hold leverage within acceptable bounds.

That realization, as disconcerting as it was, probably saved us from ourselves.

338

You can go broke making a profit.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

BANKERS & BORROWING

348

Bankers aren't venture capitalists.

Many businesspeople would say bankers have thoroughly earned their conservative reputations—they make loans only when repayment is guaranteed in every way they can conjure. Even when secured assets are more than sufficient to assure loan recovery, they like to have our homes, cars, investments, and future earnings on the line, too.

Bankers are quick to point out that their rates are cheaper than other sources because they reflect this minimized risk. Fair enough—the interest we pay a bank doesn't include much premium to cover loan losses.

When our funding needs can't be guaranteed with assets or other worth, bankers probably aren't the right source. Partners, stockholders, or venture capitalists are more likely bets.

349

Bankers want you most when you need them least.

According to Mark Twain, "A banker is a fellow who lends you his umbrella when the sun is shining and wants it back the minute it begins to rain."

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

MULTIPLE STORES

359

Two stores don't make twice as much.

Opening more stores is just in the DNA of retailers. It's irresistibly logical that a successful store—a proven and profitable retail concept—could be easily replicated. The same products, methods, and operating systems should yield similar results in another location, only with enhanced economies of scale.

It makes so much apparent sense that the question "How many stores do you have?" is almost equivalent to "How successful is your company?" or even "How profitable is your company?"

Ironically they often have the opposite meaning. Second and third stores are rarely as profitable as the original, and often they're losers.

Many store owners with adequate profit breakdowns recognize the source of their reduced profitability and retreat in a few years. Unfortunately most don't have the necessary numbers or aren't willing to swallow their pride; they drag their mistakes behind them like a ball and chain.

Only a few come to grips with the specific differences and added challenges of operating multiple stores, expand their management abilities, and devise methods and formats that will work across multiple locations.

> In one of our business sharing groups, those with high profits are sometimes jokingly advised, "You're making too much—you need to open another store."

360

The most profitable store is the first; the least profitable is the second.

Second stores typically do a fraction of the volume of the original store, and profitability is nowhere close to proportionate—often it's negative.

Apparently no academic study has established the reasons for this, so we can guess with impunity: less experience and dedication in store management, inadequate systems for multiple locations, diminished access to information, less decision and reaction power ….

We often make these challenges even more formidable by designing second stores as smaller versions of the original. The plan of stocking only the top sellers seems logical for increasing efficiency, but backfires when customers bypass the small store for larger selections.

361

Multiple stores are a separate skill set.

A really strong and profitable retail concept begs replication. If the model is refined and proven, it can work in other locations, multiplying returns.

But an ambitious retailer needs to recognize that operating a chain requires very different skills than building the original.

A single-store operator sees firsthand every day what's broken, what could operate better, who needs help and training, what work is behind, what new opportunities are emerging, etc. He spends his time fine-tuning the operation, helping staff develop to potential, and exploring new opportunities. He teaches by example, shares experience anecdotally, and motivates with personal interaction.

A multiple-store owner doesn't see the problems and opportunities directly; he has to infer them from numbers and reports, and attempt to influence them remotely. He experiences the front line less often, and spends much of his time in an office removed from the stores.

His management tools include a strong information system, standardized operating systems, formal training, carefully designed incentive systems, planograms, secret shoppers, periodic inspections, and audits. When results are inadequate he rarely has time to investigate the causes; he replaces personnel until he gets better results.

The goal—a smoothly operating retail store—is the same for single or multiple stores, but the methods and tools used to accomplish it are totally different.

> In musical instrument retailing, successful single store operators often expand to two or three stores, at which point their profitability declines enough to dissuade them from further expansion. (The fact that the market isn't flooded by continually expanding retailers is convincing evidence in itself of the declining profitability.)
>
> Unfortunately most musical instrument retailers can't or don't trace the source of their decline to the added stores. As a result most m.i. "chains" stall at several stores.

362

Size is the adversary of excellence.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

LEADERSHIP

397

What's called genius is really determination.

There is no standard pattern for great retailers; they come in all varieties of intelligence, physique, education, background, culture, and style.

Some are bright, others seem slow to get it; some have Ivy League diplomas, others have GEDs; some are polished, others have mud on their boots; some are eloquent speakers, others afraid of crowds. Many are odd in some ways, like athletes, performers, and musicians who devote their lives to a single pursuit.

But there is one characteristic all successful retailers have in common: powerful and unwavering determination to make their stores right. It's the essential ingredient, incalculably more important than the brains, education, contacts, and lucky circumstances that so often get the credit.

Perhaps the greatest benefit of serving as chairman of NAMM, the International Music Products Association, was the opportunity to get to know the heads of companies like Steinway, Guitar Center, Yamaha, Gibson, Fender, Peavey, Roland, and Conn/Selmer.

I expected these people to somehow be super-human—tall, intelligent, worldly, profound, charismatic, handsome, etc. What I found surprised me. They came in all shapes and sizes, some hardly attractive. Many were street smart rather than college-educated. While most could convey their ideas, many were socially awkward or so narrowly focused as to be oblivious to all else but their businesses.

However there was an overriding trait within each of them: every one was extremely focused on results, driven and determined to achieve his goals.

The qualities I expected would surely have been helpful but apparently not at all necessary—and they ranked way down the list from determination.

"My God-given talent is my ability to stick with something longer than anyone else."

—Herschel Walker

398

Education isn't critical but willingness to learn is.

No education can prepare us for all the situations we face in retailing. Even if we could memorize exactly what's needed in today's environment, it wouldn't be useful long. Education is valuable, but not because it teaches us specific job skills; because it teaches us how to learn.

We don't have to know everything, but we do have to be willing and eager to learn what we need whenever we discover we need it.

Education is a head-start, but in the retail marathon learning along the way easily overtakes it.

> "For students starting a four year technical degree, over half of what they learn in their first year of study will be outdated by their third year of study."
>
> **—Karl Fisch, Scott McLeod, & Jeff Brenman as popularized in the "Did You Know" video**

399

Leadership is a role but not a job description.

A leader chooses the direction and goals for his company, then organizes the company to best pursue them. Organization entails structuring jobs and functions to fit the abilities and personalities available to him. And such job design includes his own; he must shape his job to make use of his own special skills and abilities, and delegate wherever he perceives his weaknesses.

Retailers who are charismatic often serve as the public faces of their stores; many others shun the spotlight and appoint staffers to public roles.

Some retailers like formulating detailed plans; others prefer broad strokes and strategies, relying on staff to work out the details.

Some enjoy making deals and working out compromises; others lack the patience and diplomacy for negotiation and assign it to more social personalities.

The essential of leadership is choosing what's to be done and organizing the company to do it—not necessarily doing it ourselves.

Neither Benjamin Franklin nor Thomas Jefferson was a good public speaker.

Franklin rarely gave speeches at all, often asking colleagues to read what he had written; the few speeches he gave were memorable mostly for his weak delivery. Virtually all the influence he exerted was with a pen or printers' ink.

Jefferson seldom uttered more than a few sentences in public meetings. Despite doing most of the writing of the Declaration of Independence, he hardly spoke while the Continental Congress debated and mangled his work. His inaugural address could barely be heard beyond the first few rows.

Yet the leadership of these two giants guided the U.S. through its most tentative and vulnerable period, shaping not only the U.S. government but subsequent democracies around the world.

400

Strength in others isn't a threat but an opportunity.

Not everyone wants to lead a company—many have other interests and priorities, are adverse to the risks, or simply don't have the personality for leadership.

. . . This is a sample. The complete book is available in print and most electronic formats from local booksellers, Amazon.com, B&N.com, iTunes, etc.

427

If at first you do succeed, try not to believe you're infallible.

Success is not a good teacher. Failure provides more useful lessons.

When success comes easily, we tend to underestimate future challenges and risks. We mistake good fortune for intelligence and invincibility; we forget that our time is limited and luck occasionally turns against us.

Periodic failures keep us realistic and help us appreciate our victories.

> "If people with unsolicited advice would just write a book we don't have to read, we'd gladly lie and say we did."
>
> **—Chip Averwater**
> **(Thanks for reading)**