

The life of a natural products retailer can be difficult – full of challenges and changing market conditions. There are however, certain characteristics that seem to permeate across all successful natural retail environments. The ideas presented here are provided courtesy of Tree of Life, in conjunction with several of our affiliated industry experts. We hope you enjoy *The 7 Traits of the Perfect Natural Products Store*.

1. Know Your Mission

A sense of identity is very important for any retail environment, but particularly so for a natural products store that typically relies upon a lot of repeat business. Every natural products store needs to know why they are in business with a clearly defined purpose, objectives and personality. Once defined, these attributes should be communicated to store staff and, where appropriate, to customers.

Your mission could be something as simple as “Making a positive difference in the lives of our staff and the customers we serve.”

The objectives of your business are generally more specific, for example:

- Create a unique and pleasant shopping experience
- Stock only the finest natural, whole and organic products
- Hire and train the best possible staff members to service your customers
- Attain certain financial performance – e.g. \$X per year in sales, %Y profits
- Meet certain business growth objectives – e.g. Z% sales growth per year

The personality of your business is its defining attributes. It includes your work atmosphere, your philosophy regarding staff training, customer service and training, your commitment to product excellence, etc. Often, the personality of a store is a direct reflection of the personality of the owner, so you need to be conscious about what type of environment you want to create for your business.

By knowing who you are, you will be better positioned to differentiate your store in the market place, creating a business environment that resonates well with your staff, your customers and the local community.

2. Provide a Great Shopping Experience

All great natural products stores provide an excellent shopping experience for their customers. This includes a number of areas:

The feel and ambience of your store – looking at your through the eyes of your customer.

- Includes cleanliness and visual appearance outside (parking lot, sidewalk, windows, doors), and inside (floor, shelving, refrigeration, bulk bins, stockroom).
- What color is best for your store? Current color trends for interior walls are soft gold and tan colors. Trend colors change about every five years. Colors often depend on store size and keying the wall color

to the floor. Neutral colors are best. You don't want a bright snazzy color get in the way of shoppers looking at the product.

- Trends in signage – recycled papers, soy inks, recycled plastics, reusable signage (write-on boards, chalk boards).
 - Trends in flooring – painted, recycled plastics, almost maintenance-free.
 - Types of music that should be played are determined by the culture, ages, and preferences of the shoppers in the area. Upbeat music nets more sales.
- Store design department layout – the design of your store is very important to create an easy shopping experience. Some ideas that you may want to incorporate into your store design / redesign are as follows:
- Creating and directing the proper traffic flow is very important, and recognizing how to work with a left or right-handed store.
 - Styles of checkouts – which styles are best for a particular store.
 - Vitamins, Health & Beauty Care products need to be located in an area for receiving customer service, are susceptible to theft, so should be located in constant view of staff members.
 - Produce is usually early in the shopping pattern – signifies freshness and colorful. Sometimes back of store is a good location.
 - Bulk foods usually go near produce – both are weighable products.
 - Coolers, freezers are generally placed on perimeter side and back walls.
 - The store should feel bright and spacious with aisles at least 4 feet wide for small stores and 5 to 6 feet wide for larger stores, and lighting down the center aisles.
 - The new item area should be near the front entrance.
 - The perimeter of the store has the most traffic.
 - Snack departments draw shoppers to the center as they pass by.
 - Impulse items can be placed near the check-out.
 - Promotional end-caps should be placed near corresponding departments.
 - The “psychology” of arranging departments increases the products a customer tended on buying.
- Your in-store promotions / sign-age – your in-store promotions need to be clearly visible, informative (e.g. sales price, new item designator, serving recommendations), not displayed too long (effectiveness drops off over time), and can include combo promotions (e.g. chips & salsa). Increasing the display size will have an impact on sales as follows:
- 15 case display – 250% increase in sales
 - 30 case display – 330% increase in sales
 - 50 case display – 500% increase in sales
 - 100 case display – 580% increase in sales

- Your product mix – needs to correlate to the demographics of your customers (education, income, ethnic mix), perhaps with some type of product specialty (e.g. extraordinary organic, gluten free, specialty foods).
- Your in-store merchandizing – effective merchandizing can have a big impact on your sales. Some guidelines are as follows:
 - Use vertical merchandising for maximum space utilization
 - Place the larger / heavy products at the bottom
 - Place your intended top sellers at eye level
 - Keep the products upright, tight, in logical sequence with color breaks
 - Maintain a sufficient number of shelves and visit them regularly to ensure the merchandizing is attractive
- The experience with your staff – this is generally a direct reflection of your store culture, and the effectiveness of your store management and your staff training programs. Your staff should come across as friendly, polite, courteous and knowledgeable to your customers.
- The quality of your customer service – this is a function of your policies (for returns, etc), your staff and their knowledge of natural health and the brands and products that you carry. Good customer service should exhibit a genuine caring for the customer – going out of your way to help the customer.
- The amenities provided to your customers – this includes your web site, perhaps an in-store information kiosk (or your web site setup on a PC), areas in your store to get product demos, samples, shopping carts and baskets, new products, and promotional information.

If you can delight customers and engage employees, you will create a great shopping experience for your store.

3. Know Your Customers

Knowing your customers is extremely important for the success of your natural retail business. By “knowing your customers”, we are talking about something more than simply recognizing their face or knowing their first name – we are talking about knowing more about their demographics, knowing what they buy, when they buy, how they buy, when they bought last, and what they bought last. Using this information, you have the ultimate marketing weapon – i.e. the ability to send targeted print and email promotions to your customers.

The first part of knowing your customers is collecting their information, and more importantly, tying customers to purchases. The only way to do this effectively is to setup a loyalty program. In this vein, customers provide you with their information in order to become a member of the program, which carries certain benefits (e.g. rewards, rebates, a certain percentage of their purchases donated to a charity of their choice). When they shop at your store, their loyalty card is swiped or scanned (depending on the card type), and you now have a record that

customer X, purchased products A, B, C on date / time. If you do not implement a loyalty program, you will at best be only able to setup a mailing list, which is of limited value as it is not tied to any purchases.

With a comprehensive customer database and associated purchase history database in place, you now have the ability to do some extremely powerful marketing – for example, you can:

- Up-sell customers into a complementary category – e.g. customers buying multi-vitamins, but not buying herbs.
- Capitalize on opportunity gaps based on demographics – e.g. woman over the age of 50 not buying calcium.
- Capitalize on opportunity gaps within a brand – e.g. customers buying Brand X an offer for a new product from Brand X.
- Increase store visits of high volume / low visit customers - e.g. customer who spends \$300 once every 4-6 weeks can be sent a promotion to generate an additional visit – e.g. 10% off your next purchase – this month only.
- Increase transaction volume for high frequency / low volume customers – e.g. the customer who comes in every day to buy a coffee. These people can be sent a promotion to increase their spend-per-visit – e.g. 10% off your next purchase when you spend \$20 or more.
- Move soon to be expired shelf inventory off the shelf – e.g. sending customers who purchase that product a time sensitive BOGO promotion.

The direct benefits of implementing a loyalty program and really knowing your customers include increased customer loyalty, more customer referrals, reduced attrition, increase store visits and increased spend per visit. Well implemented loyalty programs have been known over the years to increase sales by more than 1-2%. Users of the Living Naturally Loyalty Genius program have realized a sales increase of more than 4% year over year as a direct result of using this program.

4. Commitment to Education

Education is what makes our industry and stores different. With a well-trained, knowledgeable staff and targeted consumer education activities, information can be shared with customers that not only empower them to make healthy purchasing choices, but also encourage them to continue to walk through our doors, visit our websites, follow our blogs.

Customer education starts with your employees. The first thing is being clear about what it is that you want your employees to communicate to your customers – e.g. your mission / vision, information on products, your quality standards and services, your marketing and promotional messages, and how to use the communication delivery tools that you have provided (e.g. email campaigns, print flyer programs, etc). Training can be provided in a number ways – training manuals, online courses, on the job training, and at staff meetings.

A daily communications book can help share information regarding customer requests and concerns, staff ideas and store improvements, updates on product

information and availability, equipment issues, promotional messages and marketing updates, essentially developing a knowledge base of information that can be used for training purposes and keeping the entire staff engaged in the daily communication. Regularly scheduled staff meetings to review the communication book, walk the floor, review new products and current promotions can also be helpful regarding staff education.

Education is a critical sales driver in the natural products industry right down the supply chain, but particularly at the consumer level. Some studies from *Pew Research* indicate that more than 78% of product purchases in the health sector are first predicated by online consumer research. This suggests the need to have a web site with a comprehensive online health encyclopedia and accurate and update to date brand and product information. Such a facility can be used in many ways:

- a) As an educational platform for store staff.
- b) As a selling tool for store staff. This is particularly powerful if the web site is setup on an in-store PC and is used as an information kiosk.
- c) As a local community health resource facility. Many successful retailers will also complement their online health encyclopedia with listings of alternative health practitioners, essentially creating an online health community.

This last point can be particularly powerful if you are able to position your store a wellness authority in the local community, developing relationships and reciprocal lead referral programs with like-minded individuals and businesses (e.g. gyms, healthy restaurants, health practitioners, eco-groups and green charities, etc).

Other ways you can communicate with and educate your customers include:

- Signage (shelf talkers, flyers, etc.)
- Displays (end caps, feature areas)
- POS display messages and cash register receipts
- Newsletters, bag stuffers and direct mail
- Local advertising (print and radio)
- Email campaigns
- Videos and podcasts
- Websites, blogs and social networking
- In-store seminars, demos, cooking classes, store tours, competitions

The nature of the communication methods that you decide upon needs to be planned, scheduled and communicated to all your staff.

Through our commitment to education we share knowledge with our staff, customers and community empowering wellness choices, developing loyal relationships, and keeping our stores and industry solid.

5. Know Your Profitability

What's your mission? Let me say that of all of the industries we serve and all of the thousands of retailers we work with, I've observed one major difference between you and them – PASSION. So when we speak of your mission or vision, let me also interject the word PASSION. It's what drives us to do what we do.

But to do what we do, we must have profitability. Some may focus on supporting your family or helping other families feel better; some on spreading the gospel of the benefits of a natural lifestyle, or the environmental benefits of natural products. Maybe your mission is to help make a better community. Some just love what you do. But whatever your cause, your passion, your mission, it needs to be fed with profitability. You must be in business to fulfill your mission. Not necessarily for money's sake, but for the sake of sustaining your mission.

Without profits, the possibilities of continuing your service to others will cease. Your customers need you; your community needs you. Our focus here is to look at the profit side of your business as a key element in longevity, sustainability and success.

The path to profitability starts with a budget – how many of you go through a formal planning and budgeting process every year? That's really the road map for running a business. Without a fresh look at your business, it's difficult to make the right decisions. Sometimes more importantly, we need to look at the changes to our business. We've all seen changes these last few years. Can you run your store the same way you did 10 or even 5 years ago? Without looking up from the treadmill now and then to take a business inventory, we'll just keep on running in place. A budget is critical to assessing the climate, looking at your business and setting the course for the next year.

Once you've set the budget, stick with it. A budget only works when you are disciplined enough to stick with it. It's no different than your personal budget. If you have a goal to go on to Hawaii for your 25th anniversary, you'll only get there if you watch your expenses enough to save the money projected for that vacation.

Another key area to focus on is knowing and controlling costs. Let's take a look at two of the biggest cost categories to watch while budgeting and while running your business:

Inventory - How many of you have a back room or warehouse area that looks something like this. I hope none of you, but how about an out-of-the-way bottom shelf? How many of you have something in your store that's been there for 6 months or more? I realize that we all have to have those "once-in-a-while" products on hand for a special need, but dated inventory means money that's tied up and something that's taking up room, keeping good products from selling and making you money.

And, if you're still keeping track of your inventory with a technologically-advanced handy dandy abacus or keeping cash in a cigar box, I suggest that you take a look at some helpful tools like a POS system. Yes, they cost some money, but sometimes

an investment in your future profitability is just as important, sometimes even more important than your current situation.

Personnel- It's so important to recruit, train and retain the right employees. How many of you have ever gone into and found it difficult to find helpful service? If we don't carefully recruit the right employees, our customers will go elsewhere. You may have noticed that it's far easier to keep a good employee than it is to find them to begin with – and less costly as well. So keep your eye on your good employees and cut bait with the slackers. By the way, in these economic conditions, there are a lot more good people out there to choose from.

Lastly, I want to briefly touch on the 4 P's of profitability. Our good friend Bob Barker might ask, "Is the Price Right"? Let's take a look at some ways to tell:

The first "P" is Purchasing. Are you taking advantage of the purchasing deals available? Are you leaving money on the table? Are you aware of all of the deals out there? Tree of Life provides deals every month. Taking advantage of purchasing products at the best price positions you to not only be competitive, but to be attractive to customers looking for deals. And aren't customers looking for deals now more than ever? However, I've seen many-a-retailer take all of the discounts, keep the pricing at full retail and hope to increase overall margins by selling a few items. That's not the intention of deals. It's to give you a discount to pass along to customers to create an incentive for them to buy from you. Don't miss out on the deals and use them to your advantage.

The second "P" is Pricing – Are your prices right? For your community, your audience, your demographic? Do you shop the competition? Do you know what the Internet is doing? Your pricing is driven off purchases but must be driven by what's right for your audience in line with your profit objectives.

The third "P" is Profits - I've been around many retailers who are so focused on margins that they've forgotten the golden rule of profitability – you can't spend margins, you can only spend profits. If you keep your profit margins high but don't sell much, you can't make enough money and won't be profitable. On the other hand, if your margins are too low, you could sell too much product and could lose money on each sale. You should aim to keep your margins on budget as a whole, but realize that certain loss leaders may individually be at a lower margin, but will bring in customers that cause the overall margins to be even greater, including generating more profits...

Which leads us to the fourth "P" – Promotion. Use your purchasing deals to pass along great values and incentives to bring customers in with deals they can't pass up. You can have the greatest store in the world. You can even have all of your products priced right. But you don't have a business until you have customers coming in to purchase them. I'll touch more on this in the next segment.

Let's keep it real and look at some practical things you can do tomorrow morning when you get back to the store:

1. Review your budget to make sure you're on track.
2. Address old inventory.
3. Make sure the price is right.

6. Communicate Your Brand

We hear the buzz word all the time – branding or brand. So, what's the definition of “brand”? We commonly refer to a brand as a logo, a label or a name – we call it a “name brand”.

The American Marketing Association defines brand as *“a name, term, sign, symbol, or design, or a combination of them intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of the competition”*

Let's take a quick brand test to see if we're on the same page:

1. When I say fast food, the first one you think of is MCDONALDS.
2. If I need to blow my nose, I reach for a KLEENEX.
3. When we think of the world's premier theme park, we think of DISNEY. That's true branding – positioning a brand as “top of mind”.

Let's look at the origin of the term. It's derived from the Norse word “brandr” which means to burn. A branding iron was used on the range to label the possessions of a ranch owner, particularly his cattle. As cattle wandered in the open prairie and mixed others, it was very important to distinguish between herds. Just like your store or business, you are one amongst many, one in a herd. So how are you going to distinguish yourself from the others? Let's further define “brand”, because it's so very important to your business.

A brand was made of a shaped metal, called a branding iron. It was heated up in the fire until red hot, then pressed into the possession until the mark was seared into it. The brand was permanently engraved for all to see and could not easily be removed – kind of like a tattoo today. That's what we want to do with our brands. We want it so etched and impressed into the minds of the audience - your customers, your community and potential consumers, so that when they want what you offer, they think of you first – just like McDonald's, Kleenex and Disney?

First, let's identify your brand? What would others say about your brand?

1. Do you have a logo? What does it portray?
2. How about your store? Is it appealing and inviting? Or does it need to be refreshed and updated? Maybe just a coat of paint would do wonders?

3. How about the quality of products?
4. What's your quality of service? Any slackers on staff?
5. Let's transition to the real deal – what's your image? Leader or just another?
6. What is the overall perception? You know, it really doesn't matter what you think about your store? It's what everyone else thinks that really counts.

How about your audience? Do you know who they are? What's your location? Rural or urban? What about demographics? First, what is this buzz-word “demographic”? It really just means the characteristics of your audience such as blue collar vs. white collar, a youthful population vs. an older one. Why is this important? Because your brand communication has to be targeted to be effective. If done right, you'll realize an ROI and increased business.

It's pretty easy to communicate a message with a branding iron. But we can't go around searing our customers. So today, frequency is a key to branding. The more you are in front of an audience, the more familiar with your brand they will become. The more frequently you communicate your message to your audience, the more they will remember it. And most importantly, when it comes time to use your products and services, you'll be top of mind and your store is where they'll come to shop.

Let me share with you the 3 “R's”

1. **Recruiting new customers.** What percentage of your town or city are your customers? Most retailers do not have the majority of their audience engaged as customers. The opportunity for growth is BIG.

When it comes to recruiting new customers, we have to go after it. If they're not your customer, they're someone else's or just not educated enough to be interested. So how do you get them into our store? Let's escape from the natural products world for a moment. Where do you go to buy home improvement products? Why? Convenience, prices, helpful service? How many of you go to a big box like Lowe's or Home Depot? What would it take for you to go to an Ace Hardware or better yet, the local independent hardware store? Since you are one, why aren't you supporting them? Do you even know if there is one? How? What's their advantage? If you knew you could save time or money, would you try it out? Most customers are stuck in a rut of convenience or familiarity. We have to do something to get their attention, to motivate them to try something new – to give you a try.

2. **Retaining current customers.** We must keep the customers we have. Once they're in our store, what can we do to brand our business?

Steve Burd, CEO of Safeway, uses the example of a blind-folded grocery shopper to make a point about in-store communication and branding...

“Spin that person around a few times and land in just about any supermarket in America. Remove the blindfold and ask the shopper, ‘Which grocery store are you

in? ' Not surprisingly, hardly anybody would know for sure, and that's the sad moral of the story."

How about your store? If customers look around, can they easily tell where they are due to branding on signage, price cards, walls, etc?

3. **Recapturing former customers.** The other category of customers are former ones. If they've had an experience and haven't come back, reach out to them. Give them a reason to try you again.

Tree of life has developed My Store My Flyer!, the leading communications program in the market today. It includes Consumer flyers. These are typically used for recruiting new customer. In-store flyers and website marketing. All of these can be customized for your specific store to communicate your brand to your audience.

So what vehicles do I have to communicate with my customers and exercise the 3 "R"s:

- a) Print marketing – e.g. the My Store / My Flyer program from Tree of Life including circulars to recruit new customers, in-store flyers to retain current customers and provide a reason for them to return, and in-store signage to brand the store once their inside.
- b) Email marketing – use loyalty lists to send offers and information to your valued customers.
- c) Internet marketing – Post ads, offers, coupons and other motivational information to your website easily with the My Store My Flyer! Program.
- d) Other forms of media such as radio, TV ads.

Whatever you do, use a multi-pronged approach to communicate your message to your marketplace.

So what are some specific things you can do tomorrow morning?

1. Assess and secure your brand.
2. Determine a communication vehicle.
3. Communicate a motivating message.

Tree of Life has put some incredible programs in place for you. The NL purchasing deals and the My Store My Flyer! Program are two that I am very familiar with. But you know, these programs are like a corporate 401k matching program. Anyone ever participate in a 401k matching program? Many people work hard to set it up, the structure has been established, the company has set aside funds for you, but then it's up to

you to contribute. If you never put anything into the program, you can't get the matching funds, the benefit. Without your participation, it's just a program. But with a little effort and a little commitment, you will see an ROI, you will experience growth, and you will receive benefits you just simply can't realize on your own. So please, take advantage of these programs and infuse some positive energy into your business.

7. Leveraging Technology and Supplier Resources

There are excellent resources available to natural products retailers to help them manage their business. These resources fall into two general categories:

Technology Resources

- Electronic ordering
- Price change notifications
- Financial management
- Advertising
- POP materials
- Customer acquisition
- Customer retention
- Customer tracking

Supplier Resources

- Promotions
- Reset support
- Access to new emerging product categories
- Industry trends information
- Market research
- Advertising tools (flyers, shelf talkers, etc.)
- Staff education
- Customer education

We recommend that you step back from your day-to-day business and re-consider what would be the perfect "bundle" of technology and supplier services for your store. With that vision in mind, leverage your distributor and direct line supplier relationships to optimize your access to and use of the tools you want. Remember, your distributor and direct line suppliers have a vested interest in your success.

Tree of Life offers a wide range of programs and services designed to help natural food stores optimize their performance. For more information about these services, contact your Tree of Life Territory Sales Manager or visit www.treeoflife.com.