THE 3 CHALLENGES ALL RETAILERS FACE WHILE SCALING

AND HOW CAN YOU AVOID THESE PITFALLS.

We're going to walk you through how each of the three key challenges keeps you from scaling, and the one major aspect of your retail business that will make or break your ability to scale successfully.

CBSF
CANADA'S BEST STORE FIXTURES

WHAT'S <u>STOPPING YOU</u> FROM SCALING SUCCESSFULLY?

The first time most retailers try to scale their business, things rarely go according to plan. You have to raise the capital you need to open your next retail location; you have to work on designing a retail environment that customers would be crazy not to love, and you have to hire a team of qualified people to represent your business both in front of customers and behind the scenes.

THE RIGHT LOCATION, THE RIGHT AMOUNT OF MONEY, AND A FEW STAFF MEMBERS TO FILL THE SPACE FEELS LIKE IT SHOULD DO THE TRICK, RIGHT?

Well, not always.

While the idea of rapidly expanding and growing your retail business on a large scale seems simple enough - open a store in the right location and customers will come running - the reality is that scaling from 8 stores to 12 in a year, or 3 stores to 6, is a true challenge for any retailer. But scaling isn't just about growing bigger or opening more locations - it's about getting better. Better products, better teams, better retail environments and better customer experiences.

Most retailers don't scale successfully for three simple reasons:

Scaling poorly

Losing sight of brand

Customer experience

These three reasons that stop retailers from scaling seem basic and avoidable, but if that were true, they wouldn't trip up retailers time after time. Your end goal as a retailer is to grow your business from an enterprise to an empire - from three or four stores to fifty or more.

Let's dive deeper into the key challenges that keep you from scaling and growing your business into an empire. In the following pages, we'll guide you through the challenges and pitfalls you can avoid by focusing on one crucial element of your business: your people.

TO SCALE OR NOT TO SCALE
WITHOUT A PLAN, THAT IS.

Scaling is something most retailers dream about but rush headlong into without a plan. And while there's nothing wrong with a little ambition, scaling poorly can set your business back and put you in a negative spot for growth.

That's because many retailers ignore or forget the difference between scale and growth. When retailers rush into scaling out of a desire to drive growth, often they're left with a poorly scaled retail business that costs them valuable time, money and resources because scaling has been approached without any planning involved.

> "For us, scaling successfully comes down to our people. At the end of the day, anyone can open 10 stores or 20, but if you don't have the right people who can help you grow and can help provide the best experience to and for your customers, you're missing the most crucial part."

**Talha Dadabhoy**, *Director of Operations, Healthy Planet*

SCALE VS. GROWTH: WHAT'S THE DIFFERENCE?

We can think of growth versus scale like this: growth refers to increases in revenue, whereas scaling refers to increasing revenue without increasing production costs. Ask yourself whether you're scaling your retail business just to drive growth, or if you're focusing on growth simply to scale. If so, you may be falling into the all to common trap of scaling poorly.

Beyond growth, you have to consider whether you have the resources and impetus you need to scale, but these resources shouldn't just be thought of as monetary ones. Retail design plays a large role in scaling, but so do other elements, like company infrastructure, processes, procedures, people, and experience.

GROWTH VS. SCALE
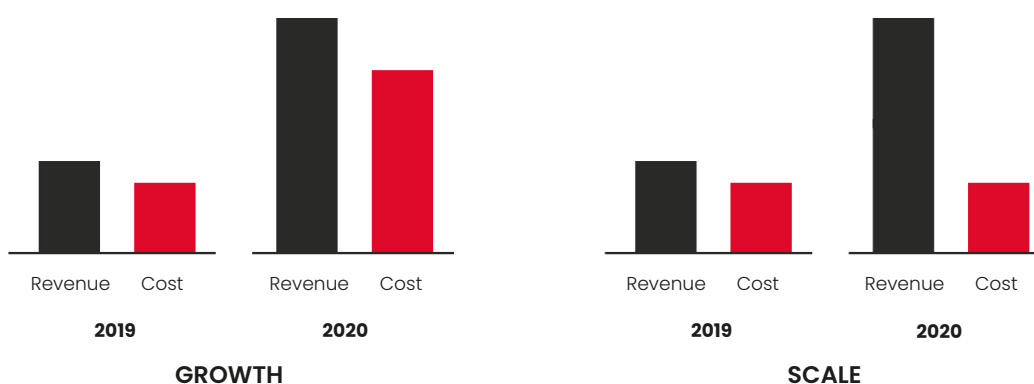
SCALING WITH CUSTOMERS IN MIND

Your customers expect a consistent and memorable experience no matter which retail location they visit, but more than that, they expect that they'll get in-store what they can't get online, which comes down to the service and experience you provide them. That encompasses everything from processes and infrastructure to:

- **Frontline staff who offer customer service to customers**

- **Teams in charge of key departments like Operations or Purchasing**

- **In-store customer service departments or teams**

It's why retailers like Farm Boy are able to scale successfully. They not only know what their customers need, but they know what they, as a business, are great at offering; service and experience. And it's something they stick to, because they know their customers and they know their product.

WHAT MAKES YOU UNIQUE?

By understanding what makes your retail business unique - the differentiators, your value proposition, and why customers feel they can only get what they want and need from your store - you can determine whether you've got what it takes to scale successfully. Some retailers can "rinse and repeat" their strategies, because they've tested their processes and know that what worked for other retail locations will also work for another, or for a different segment of customers.

> **"When it comes to scaling, don't lose focus on what you do best. Know who you are and what you're good at, know what your business stands for and what you want it to be, then stay true to it all."**

Trevor Gervais, *VP of Marketing, Merchandising and Store Construction, Farm Boy*

While this works for some companies like Starbucks who create mirrored experiences across their many locations, it's not true for all retailers across all verticals. You'll need to look closely at:

- **Whether your infrastructure is strong enough to scale**
- **How you're going to create a customer experience that's consistent yet unique enough to your retail locations that customers will go out of their way to visit your store**
- **How you'll keep customer service consistent across locations**

Those crucial elements come down to one thing: **your people**.

Aside from having the capital in place to scale, you have to ask yourself...

- **Is it the right time, and do you have the right people on your side to help you make it happen?**

- **Will you have to expand your team and, if so, how will you put the right people in place?**

- **How will you train and guide new team members to deliver consistently on your customer experience?**

Without the right team, scaling will trip up any retailer. At CBSF, we've seen many retailers over the past few decades forget about their people as part of their organization and infrastructure, and when that happens, the likelihood of succeeding at scale decreases rapidly.

Ask yourself:

- **Do you have the right team in place to help you scale?**

- **Do you have an infrastructure that's scalable?**

- **Are you entering the market at the right time?**

- **Have you identified friction points in your business that hinder growth (like people)?**

- **What's your real motivation for scaling?**

- **Who's going to help you scale, and do you have the resources to put the right people in place?**

THE PERILS OF PLACING YOUR BRAND ON THE BACK BURNER

It's no secret that your brand values have to be felt, lived and embodied by every member of your business if you want to grow successful teams that are truly invested in helping your business grow, too. But when you scale too quickly and without a plan, it's easy to lose sight of your brand in the process.

That's because your brand is an essential part of your business; it embodies everything from mission and values to customer experience, company culture and even your bottom line. You can't create an unforgettable experience for your customers without first turning your attention to your brand values.

SCALING PEOPLE AND BUSINESS

As Farm Boy knows, having successfully scaled their retail infrastructure from 2 stores to 20 and beyond, when your business is small, you have people who wear multiple hats, and everyone is involved in every part of the business. But as you prepare to scale, that becomes challenging; you have to be comfortable letting other people fill roles and grow with the company.

> "You're not just trying to grow your business, you're trying to grow and maintain your company culture. As you grow, you're working to make sure you don't lose sight of your values and culture."

Trevor Gervais, *VP of Marketing, Merchandising and Store Construction, Farm Boy*

HOW BRAND IMPACTS CULTURE (AND VICE VERSA)

Scaling can have a negative impact on your company culture when the need to grow and increase revenue supersedes the need to grow and develop your people and top talent.

When you lose sight of your brand values, you create a disconnect between the values you want your people to exemplify, and the people themselves. Retailers who know how important great teams are to the success of their business know all too well the pains of losing valuable team members when the company culture is poor and there's a disconnect between your business and your values.

More than that, when your brand values take a back seat to things like growth, scale, and revenue, you'll find that you inevitably:

- **Ignore relationships with vendors and suppliers**

- **Fail to hire the right people who reflect your brand values and care about your customers**

- **Forget why you started your business in the first place**

- **Create a rift between your brand and your customer experience**

- **Negatively impact your company culture and how your teams feel about your brand**

WHAT HAPPENS WHEN YOUR CULTURE, BRAND AND BUSINESS DON'T CONNECT?

As a retailer, you know how blurred the lines are between categories or products sold across competitors in and between sectors like yours, which makes brand experience so crucial to the success of your retail business. It's not the price or the product that builds loyalty among customers - it's your brand, its values, and your people.

There are four main tenets of building engaged teams comprised of the right people who contribute to your business's success:

1. **Development** - what structure and which opportunities do you have in place to ensure your people can grow and develop within your organization, not just position-wise but in skill and expertise?

2. **Engagement** - what do you do to engage your teams in their roles, from your frontline staff to your senior teams?

3. **Recognition** - how do you recognize your team and people for their hard work and commitment to your business?

4. **Culture** - how do you consistently improve and build upon a positive company culture?

Ultimately, having the right people in place will help you ensure that, when scaling, you avoid doing it poorly. But finding those people and placing them properly in your business means seeking people who know and care about your business. As Healthy Planet has found, success in retail comes down to working with people who:

- **Believe in your business and its values**

- **Know and understand your product/service**

- **Can be trusted to fill their roles**

- **Care about your customers and customer experience**

WHAT'S YOUR TOP PRIORITY?

As a retailer, it's your responsibility to ensure that your brand values are reflected and embodied by you and your senior team first, before you can expect other people in your business to reflect and live them every day. When both you and your teams embody your brand values, it creates a trickle effect where those values are felt throughout your business and are applied to how you approach customer service and experience.

Aside from the other elements you have to have in place if you're going to scale, people have to be a top priority in your company. Gervais relates that, logistically it's your people that will make it possible. You have to have people who are not only experienced in growth but are ready to grow. The same goes for partnerships - sharing values and vision with the people you're going to partner with is crucial if you're going to scale, and scale well.

LETTING <u>CUSTOMER</u> EXPERIENCE FALL TO THE WAYSIDE

Your relationship with your customers encompasses the entire journey customers take when purchasing with you, and the experience they have both on and offline when shopping is an integral - if not the most important - aspect of your retail business.

When customers are happy with their shopping experience, it leads to both increased revenue for you as a retailer and a greater likelihood that they'll buy from you again. In fact, 86% of customers are willing to pay more when there's potential for a great customer experience. Not only that, but more than two-thirds of companies now compete with similar businesses based primarily on customer experience. The stakes grow even higher when you consider the fact that one in three customers will completely abandon a business after just one negative experience.

It's safe to say that customer experience takes the top spot for where retailers must focus their attention when scaling.

The first element of customer experience to consider when scaling is your retail environment. Designing your next retail location isn't just about aesthetics but the layout and format of your store, and whether it's optimized to give customers a simple, convenient and engaging shopping experience.

KEEPING IN-STORE EXPERIENCE TOP OF MIND

Tied into that environment is the actual in-store experience. At CBSF we approach customer experience with high regard because we know that a retail environment that doesn't engage customers and give them incentive to stay in-store means fewer sales and less foot traffic for retailers. So you have to consider whether you're offering a unique experience once customers set foot inside your retail store, and if there's enough to keep them from walking out without making a purchase.

Above and beyond that, it's important to ask yourself whether your customer experience can survive scaling.

"The question is, how do you continue to convey your values as you grow? Retailers have to recognize that those values come from leadership, and they trickle down. If you don't convey your values as a leader, no one will understand them, no one will know how to communicate them, and no one will follow through on them."

Bud Morris, *President and Co-Owner, Canada's Best Group of Companies*

The built environment and retail environment both need to support, be aligned with, and allow your teams to deliver a great customer experience. The people who embody and make that experience tangible for customers are crucial. When you have the right team of people in place, they can provide a consistent experience that embodies your brand, culture, values and customer service across the board, even while you scale.

To better understand how to scale your customer experience as your retail business scales, ask yourself questions like:

- **What does my customer think of our brand?**

- **What makes them purchase with us versus a competitor?**

- **How do my customers feel about their in-store experience?**

- **What do my customers expect when they shop in-store with us?**

- **Are my teams helping drive a positive customer experience?**

- **Do I have the right people in place to consistently improve upon our customer experience?**

> "We focus on training and developing our people so that, when we scale, our customers get the best and most consistent experience because we've scaled with plans and processes in place."

Talha Dadabhoy, *Director of Operations, Healthy Planet*

WORKSHEET

Throughout our White Paper, we've given you a range of questions that, as a retailer, you must keep in mind when planning not only to scale, but to scale *successfully.* Keep these questions front of mind during your development process and use them as guides for helping create a positive company culture that helps you scale your retail business.

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ELEVATE YOUR RETAIL DESIGN

When you're looking to scale successfully, you have to have the right people behind you and beside you. From frontline staff and senior teams, to the people responsible for designing and building your next location, people are at the core of your success when it comes to scaling your retail business.

Having built thousands of retail environments for hundreds of North America's largest and smallest brands, we know what it takes to grow a retail business from their 3rd location to their 4th, or from their 10th to their 20th, or even from their 100th to their 1000th.

We help our clients conceptualize and build spaces that create experiences shoppers can feel, intangible elements that draw them in, and allows them to be a part of something greater than themselves.

CANADA'S BEST STORE FIXTURES
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