Business: Faster Than Superman

Like Superman, business today has become faster than a speeding bullet.

In their book *it's not the BIG that eat the SMALL, It's the FAST that eat the SLOW (*Harper Business ©2000)*,* Jason Jennings and Laurence Haughton identified the traits of seven of the world's fastest-growing companies. The underlying theme in the book is how to use speed as a competitive tool in business.

The book appears to have been a textbook for Wal-Mart's success during the past holiday season. Jennings and Haughton identified a formula for success that includes fast thinking, fast decisions, getting to market faster and sustaining speed.

The fastest moving companies have learned to first *anticipate* by using past trends to forecast the future and looking ahead to the next life cycle of their businesses. They question everything and have few, if any sacred cows.

Fast companies look all around them to *spot trends* and put every idea—even those that seem impossible—through the "grinder" to see the upside and the downside. They look to see what will happen if they don't try something new and try finding ways to try to minimize failure.

In order to make decisions quickly, the best businesses make certain that every choice they make is rooted in clearly stated governing principles. Fast decisions bypass bureaucracy but still reflect the company's basic culture and values which are irrefutable.

Act decisively.
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Take action quickly and alter your course as needed.

In order for decisions to be made quickly and correctly, they must be made as close as possible to the area they impact—decisions that affect the sales process should be made on the sales floor; things that affect operations should be come from those in the warehouse, the delivery department or the IT department.

Tracie Rozhan chronicled in the New York Times how Wal-Mart applied these same principles to pull out what at first looked like a very bleak holiday selling season in 2004.

The day after Thanksgiving is commonly referred to as “Black Friday” because it is the day most retailers hope to finally turn the corner into profitability for the year. Friday, November 26th and it’s the official kick-off to the shopping season.

Michael Duke, president of Wal-Mart’s store division, knew they were in trouble by 8 a. m. While he was in an Atlanta store, he began receiving reports on his Blackberry of slow early-morning sales from other regions. He drove past Kohl’s, Sears, Target and Best Buy to see how they were doing as well.

The news reported to investors the next day confirmed Mr. Duke’s initial gut feeling. Sales for the important day were only 0.7 percent higher than the year before.

Because of their incredible speed, Wal-Mart was able to generate the traffic and sales they needed despite their slow start. Even more important they were able to increase their sales without compromising profitability.

By mid-afternoon at Saturday, the Wal-Mart management team had developed a list of items that needed to be marked down for promotion in order to build lagging traffic in the stores. Suppliers were contacted to ensure that there would be enough products available to meet the anticipated demand of the fire-sale priced items. Sara Lee’s branded apparel division found fleece that could be marked down from $5.84 to 4.l64 per item.

In other cases items were already available at great prices, but there had been little promotion of them. Wal-Mart soon ran full page ads featuring a very hotly-priced 17-inch flat screen TV for $178.88.

On Tuesday, the new prices took effect and on Friday of that week, promotion of the sale began. On Saturday, 500 employees from all areas met to further discuss ways to increase sales in the 14 remaining shopping days. Some of the best ideas—included having associates wear gift cards under their name tags--came from hourly workers.

In the end, Wal-Mart was able to post a 3% increase over December 2003 sales meeting or exceeding their forecast for the holidays. Like other retailers, Wal-Mart's holiday sales represents a disproportionate share of annual income—nearly 20% or $50 billion. Most important, the steep markdowns did little to affect margins and the company was able to deliver profits close to those originally projected for the quarter.

Wal-Mart's holiday season success illustrates the importance of velocity in creating highly profitable companies. If the largest retailer in the world can turn on a dime, smaller companies must learn to move more quickly.

First you need to have ready access to information. Key indicators might include not only total sales and gross margin, but average sales per ticket, number of items per sale, average sale per hour, sales per associate, inventory turns and GMROI (gross margin return on investment) by product category and brand.

A sales and expense budget can help you forecast sales growth and profitability. Compare your key indicators to the same period last month and to the previous year to spot trends quickly.

Develop a contingency plan. Can you overcome shrinking margins with expense reductions or increases in volume? If sales in a particular product suddenly take off can you get needed additional inventory? Are your stores staffed adequately for peak business hours?

Get the troops involved. Small business owners frequently feel alone and isolated when times get tough. Let your staff members be part of the solution. They are in the trenches everyday and have valuable ideas. Share information on a regular basis and seek their input.

Act decisively. Many small businesses seemed to be plagued with analysis paralysis. Take action quickly and alter your course as needed.

Speed has traditionally been one of the hallmarks of independent business. **Never has it been a more important tool.**