

## **Why Retail, Why Now?**

### Boosting Cash and Retail Sales in HME

“Cash is King” has long been the oxymoron of the HME Industry. Like “jumbo shrimp” this phrase was a contradiction of words. As an HME we always felt that CMS was King and we just got reimbursed. Providers are realizing at astonishing rates, that Retail has a place in an HME business.

So if the phrase Cash is King, is no longer an oxymoron for the HME industry what is it?  
**OPPORTUNITY.**

Together let’s explore why this is a great time to be in retail sales, look at our changing demographics, take a class in HME Retail 101, and develop the HME Retail Boutique.

## **The Future of Retail Sales in HME is about Growing**

### **Growing is about Change**

### **Change is Inevitable for Success**

The future will surely be different post competitive bidding and accreditation. Some differences will be good others, not so good. The jury is still out on this.

Providers have taken one of three positions during this transition in our industry. Many providers have been actively engaged and most recently submitted their bid. Others have been sitting on the side line. They know the elephant is in the room they just ignored it and hoped it would go away. (*It didn't*) Still there were some who have taken a seat in the grandstands. The bid won't touch them for several years, “*we'll just sit here and watch the game*”. Each position has its own risk and reward, but no one can ignore the fact that things have changed and are changing and we're not in Kansas anymore.

For those that were early adopters of retail in their HME business, you too have seen tremendous change. The customer is different than ever before.

## **The Changing Customer**

The change in the customer is an across the board change in all retail from cosmetics to yard equipment. Don't be puzzled by this change, you're a part of it whether you like it or not. That's right, the customer change is you and me and millions of other consumers. We are more educated, demanding, savvy, better shoppers, better negotiators (*not really, but it makes us feel good if we think we are*). All around the world we have morphed into these super consumers and the retail stores have had to change or be replaced by those that did change or the internet.

We have all heard the reports and even heard talks on the Baby Boomers. When will the madness end? Well from all the statistics that are out this Boomer Tsunami will not end until 2030. That's right we have over two decades of Boomers and then watches out because Generation X and Y are on the way. If you think Boomers are super consumers, Generation X and Y are Super Consumers on Steroids.

## **Boomer Factoids**

- ▶ 7918 people turn 65 everyday this year
- ▶ A Boomer Turns 50 every 7 Seconds
- ▶ There are 77 Million Boomers
- ▶ By 2026 the population of Americans ages 65 and older will double to 71.5 Million
- ▶ Trend Setters
  - ▶ Baby Food
  - ▶ Breakfast Cereals

The Boomers will have the greatest economic impact on our country then every before. Over the next 5 years households that are headed by 55-74 yr olds will Increase 15%. The Boomers will retire with Annual Incomes of \$100K or more an Increase of 61% or 6 million and this will increase to 8 million by 2010. This would suggest an emerging market for new products and services. Just watch your television and see how the commercials have changed to focus on the Boomers. Fifty Years ago the life expectancy rate was 69.6 years, 10 years ago – 75.8 years, today it's 77.9 years .Many believe that Social Security will make retirement 85 yrs old someday, there are many factors to consider in this and one of them is the Boomers. It has also been rumored that Financial Advisors will plan life budgets to 100 years of age.

This is another indication that the Retail HME Business will Boom, *(No Pun Intended)*

When you think retail, think existing customer base. As a provider you are serving numerous customers with your current offering who are buying healthcare products they need elsewhere. In retail this is often referred to as cash leakage. Providers can plug the cash leak by offering these healthcare products to their customers.

Providers have a tremendous opportunity to offer products with greater service. How many of your existing customers are you delivering to in their home? *More than likely the majority!* Do any of the Big Box Stores deliver products to the home? *Not where I live they don't.* This is a selling advantage to retail sales. A customer never even has to step foot into your store to buy cash-and-carry products. We can deliver them right to their door and with a friendly service technician that they know. This is just one way to differentiate your business from the Big Box Movers.

As the Boomers come of age there will be an estimated 34 million informal care givers. These informal care givers are generally between 45 and 64, and two thirds are women. The informal care giver may be family, friend, or a hired assistant. Providers with a retail operation not only serve the customer but the care giver as well.

A recent study by VHA, Irving, Texas, found that more than \$256 billion is being spent annually on out-of-pocket, cash-and-carry, health-related products and services, and this figure is estimated to grow 10 percent annually.

Just like the customer has changed, so has consumerism. The difference being who is buying and how they are buying.

To quickly understand consumerism (how they are buying), let's look at two areas; coffee and drug stores. First let's take a look at how our society has gravitated to this new drink called coffee. Well we all know it is not new, but the delivery of the product is and thus the consumerism has changed. Similarly the drug

stores must know something we all missed, because at least in my neighborhood there is a drug store on every corner, actually they are on opposite corners. Retail businesses can learn a great deal from this. This is called corner to corner consumerism. The draw for coffee and our medications is so huge that retail locations can be on opposite corners and coffee shops sometimes on the same block. Recently on a shopping trip with my wife I estimated that I could hit a 5 iron to all (3) coffee shops from where I stood. In one case, I could have used a pitching wedge. Consumerism (how they buy) can be summed up as follows:

- ▶ Easy Access
- ▶ Friendly Service
- ▶ Less travel distance to your location the better.

This should tell us that we need to conduct a solid due diligence on our market and consider multiple locations. We will talk about this in our next section.

### **HME Retail 101**

Once we understand the demographics that encourage us to consider HME Retail, now we need to go back to school for Retail 101. Not just generic Retail 101, but HME Retail 101. We will need to look at three areas to complete this course: Location, Location, (you know) Location; Merchandising, and If we build it they will come.

### **Location<sup>3</sup>**

I just get tired of typing Location three times so from now on we will refer to Location, Location, Location as Location cubed or Location<sup>3</sup>.

Location<sup>3</sup>, is the first step in our process of understanding if we can survive in a HME Retail setting. When considering your location you will need to review your neighbors, traffic, accessibility, and signage.

Your neighbors are very important, not just because we want to have good neighbors, but because we would like to have neighbors who offer products of services that complement our offering. You see this all the time and may not realize it. Think of a Big box Store that is very popular in our country. Now think of all the stores that seem to pop up around that store the minute it is announced that they are breaking ground. WOW, interesting, not really this is often referred to as the anchor property. Now you have a choice for your Location<sup>3</sup>, you can either be the anchor property or move near one. What defines an anchor property may vary from provider to provider, but here are some thoughts. An anchor property is one that has high traffic flow, has complimentary and some similar products, there is easy access from anchor property to our location, and the anchor property is either well established (i.e. a national chain) and or has no intention in moving.

To find out if the anchor property is going to move any time soon, go and ask the manager of the store, they typically are very willing to talk. Recently I worked with a Retail location whose anchor property moved and their business suffered a 40% decrease in sales.

When I asked the store manager of the anchor property when they knew they were moving, the manager said over 2 years ago. This Retail location moved in 6 months prior to the move. They never asked the question.

Signage is very important. You must qualify upfront what you can display and where you can display it. Also you need to do a walk about or drive by. Look at every entry point and exit from your parking lot. What can people walking; riding a bike and driving a car see and not see. Before you sign the bottom line of your lease make certain you know about your signage.

Now one sure way to help with this (less any zoning issues) is not to rent or lease, but build your own store. If this is possible, you can reap great rewards from residual rent and other businesses that can locate in your building.

## **Merchandising**

The key to every great retail store after Location<sup>3</sup> is Merchandising. Merchandising is as old as time. How will you display, light, showcase and promote the products customers want to buy? This has become an art. There are many, very creative and handy Providers who have a kindred spirit with Bob Vila and believe they can build anything. As an outsider and a friend, let me tell you; no you can't. This is a profession that has been carefully crafted and studied over the years. I always recommend a professional when it comes to Merchandising. But for those that still feel they are Bob Vilas younger brother here are some words of advice:

- ▶ Shop Retail and Take Notes. Go to other retail stores and watch for what is drawing people
- ▶ Let your Light shine. Look at Lighting for your showroom
- ▶ Display Equation
  - Have one on display sell one that month
  - Have 5; Sell 5
  - Have 10, you are now the area expert
- ▶ Clutter is great for bargain stores , Not HME Retail
  - Easy to get to products
  - Clutter Free
  - Spacing on Shelves are a MUST
- ▶ Keep a CLEAN HOUSE
  - Dust and dirt are for garages
- ▶ Aisle Ways are the path to success (keep them open and friendly)
- ▶ Draw them in. Your plan starts at the middle of the store and works around the focal point
- ▶ HME Retail specifically
  - Showcase Product Offerings with Sections in your Store

These are the first steps in having a retail location that will draw customers in and keep them coming back.

## **If We Build It, They Will Come**

If we build it, they will come. NO THEY WON'T. If we build it, how do they know? This is where a very well crafted and aggressive marketing plan must be developed long before you consider retail sales. There are four components to a well developed retail marketing plan:

- ▶ Retail Due Diligence
- ▶ Manufacturer Partners
- ▶ The Marketing Plan

### **Retail Due Diligence**

Your due diligence for a retail operation must not only include Return on Investment (ROI). Due Diligence is something that should be done by both new retail and existing retail operations. Here is a list of items to consider when performing your retail due diligence.

- ▶ Calculate costing for Staffing
- ▶ Understand your floor plan and it's cost
- ▶ Analyze store Traffic (internal)
  - Number of people who visit your store
  - Time of day they visit
- ▶ Market Pricing, secret shop the Big Box Stores and even your Competition
- ▶ Medical Community Survey. If you build it, what do they want you to stock? (Product and Brands)

### **Manufacturer Partners**

The products you offer based on your due diligence of customers and medical community is very proactive. This will be complemented greatly by a good manufacturing partner. Truly, not every product is the same and not every manufacturer is the same. The support you receive from your manufacturer's representative whether independent or a direct representative can produce dividends.

You need to make sure you know what you are getting not only in the products you buy, but the support you receive. When you have a list of products that you decide to carry make a list of manufacturers that carry these products. Then contact each of them and provide them with the list of products you want to stock. Make sure you share with them what you believe the market potential is based on your due diligence. Also ask them what they believe the market potential is in your area. From here you can begin the price negotiations, shipping options, and support services. Have a list of interviewing questions that you want to have answered. Also consider doing business with a manufacturing partner who can offer you more than one product line. This will typically lower costing for product acquisition and shipping.

Here are some questions to consider when interviewing your manufacturer.

- ▶ What support will you provide for Staff Training and Education?
- ▶ What Customer Support materials do you offer?
- ▶ What are your Credit and Return Policies, and the time frame for each?
- ▶ Do you have an advertising budget and how will you help us advertise your product?
- ▶ Do you have a sample program and how does it work?
- ▶ Do you have a product consignment program?
- ▶ Do you provide Planograms for our retail store?
- ▶ What type of SPIFF's and Incentives will you support with our Retail Sales Team?

You will be amazed at what this interview will reveal.

## **Marketing Plan**

The Marketing Plan is the Dog that wags the tail of Sales. Too often in medial sales in general we reverse this and the tail wags the dog. To have this happen in a retail operation will produce grave consequences. You must have a Marketing Plan and you must stick with it.

Use the following statement to help guide your marketing plan: If **We Build It They will Come!** The key words here have been bolded for emphasis. Break these down into three guideposts **We Build It, They, and Come.**

**We will use our second grade English class to help us with our marketing plan. By using Who, What, Where, When, Why, and How.**

- ▶ **We Build It:** If you have been proactive as suggested in this article you have answered the question, ( **Build What?**). You have studied and analyzed; Location<sup>3</sup>, Merchandising, Retail Due Diligence, and Manufacturer Partner Interview and Selection. These steps will guide you to the **what, where, and the how** of your retail operation.
- ▶ **They:** Who are **They**? This is the **who** of the marketing plan. These are the customers you hope to attract to your operation. You have studied the internal traffic of your existing location. The products selection is based upon a market survey of your medical community and feedback from

manufactures representatives and a secret shopper review of your competition and the big box stores. You still need to get **They** (or them) into your store. But at least you know who **They** are.

- ▶ **Come:** This is the **why and when** of the marketing plan. Now we must help the customers or would be customers to understand what we have to offer and why they need it. We must also help them understand when they can come to visit our store. These sound really trivial, but they are the detail killers that often are the demise of a retail operation.

There are several essential elements to a great retail marketing plan. Use the following list to help guide you:

- ▶ Mailers, Fliers, e-mail and fax blasts
- ▶ Advertising (Radio, Senior Publications, News Paper, Television)
- ▶ Know you customers Zip Code and email address
- ▶ Sales Calls to Specialist Offices

## **HME Retail Boutique**

No one can tell you what to carry in your retail store. Why? Because we don't know your location. We can however suggest some areas to consider based upon a global view of the market place. I use my own equation built upon a national market analysis of population demographics and having been in this industry for nearly 20 years. This has produced a list of products that have been widely successful for HME Retailers from coast to coast.

Consider the following "low hanging fruit of retail":

- ▶ Incontinence
- ▶ Oral Supplements
- ▶ Bath Safety Products
- ▶ Allergy Products
- ▶ Defibrillators

There are other product offerings that also need to be considered but only after a due diligence is performed for your market place. These products are tied more directly to the customers you are already serving and can be marketed to those you desire to serve.

Let's talk about Incontinence and Oral Supplements. These are products that your existing customers are buying elsewhere (cash leakage). You have a tremendous advantage in gaining market share by informing

your customers about this product offering. Combine this with being able to deliver Incontinence and Oral Supplements directly to their door and you and the customer win. Why does delivery make such a difference? Two reasons; discretion and weight. Have you ever seen where the Big Box Stores display their incontinence products? Typically in some not so well lit corner. Those that buy the products often put the packages on the bottom of the cart to attempt to conceal them while they continue shopping and during checkout. Oral Supplements are not as private to the consumer, but they are heavy. With a home delivery program you can provide the customer both discretion and ease of getting the product to their home.

Bath Safety Products are in vogue. The styles that are available now are better than ever and your customers don't want to have their bathroom look like they're in the hospital. Shop around and select a manufacturer that can offer you more than just bath safety. By doing this you will also be helping your DME purchasing power.

Allergy Products are on the rise. I'm not talking about nebulizers and the like. Try bedding products, better breathing air cleaners, filters, mold sprays, cleaning supplies, and much more. These products will transcend every generation you serve and some you're not serving today. Search for a good partner, one who can provide a full line and support this developing market.

Remember how we talked about the economic impact the Boomers will have on retail? Well Defibrillators are one of those products that Boomers will be willing to buy for their home. You see these in every public setting; airports, sporting arenas, conference centers and the consumers see them too. The advertising campaigns have just begun. Don't wait too long to catch this wave.

Again, this is the low hanging fruit. If you take the time to walk through each step outlined above and identify a niche or full line of retail products you want to stock, you can make a difference in your cash sales.

Retail Sales is no longer an oxymoron for HME but a REAL OPPORTUNITY.