Introducing the Five Laws of Retail

The First Law: People First

When you put people first, good things happen. Customers are not abstract statistics resulting in sales, nor are retail employees merely "associates." They are real people, integral parts of the community created in any type of retail environment. Retail success cannot last without putting this Law into practice. Troy's premise goes beyond just capturing customer sales and repeat purchases. To put "people first" is to actually care about them, listen to them, and serve them as the hub of the retail community. (This is where the British East India Company went wrong. Not coincidentally, the company's financial decline happened at the same time that the ethnic gulf between the British officers and the Indian troops grew.)

The Second Law: Turn Is Magic

Turn means what to do and what not to do so your inventory turns into sales. Part of turn success depends on knowing the formula and following the author's recurring five steps to bring about a good turn. A deeper aspect, however, involves a commitment to self-awareness: "The secret to getting the turn right draws in large part on one important understanding of the core 21st-century value of *honesty*: you must be honest with yourself about evaluating inventory and sales." (This is where—in the case of a fruit stand—old, bruised bananas languishing on a half-empty table need to be tossed out to make room for new fruit that is fresh and alluring. It might seem counter-intuitive to throw things away in order to sell more, but your products must be attractive enough to sell.)

The Third Law: It's Always the Product

Your success as a retailer not only *depends* on the product; it is *always* about the product. If the product isn't right, nothing else will make it succeed. (This is where the Ford Motor Company went wrong back in the late 1950s with its much-touted brainchild, the Edsel. Despite a huge financial investment, teams of talented designers and marketers, massive distribution systems, and a brand recognition second to none worldwide, this was not enough to make up for the fact that *the product was not right*.)

The Fourth Law: It's About the Retail Price, Not the Cost

How much you *sell* your product for is important; what you *pay* for it is not. The only thing that matters is what the customer is willing to pay you for it. (This is where the House of Dior—yes, *that* House of Dior—went wrong with their expensive silk ties. Despite the international cachet of the company, the ties just wouldn't sell. The costs were so great that the retail prices were set disproportionately high. Conversely, it's also possible to set your prices too low.)

The Fifth Law: Protect Your Downside

Before you take a risk, you need to take appropriate steps before anything bad happens, just in case it does, by (a) recognizing right at the outset of your retail adventure that failure *is* possible; and then (b) doing what you can, up front, to prepare against that possible outcome. (This is where a once-successful company selling ski equipment and apparel that persisted in being blindly optimistic about future sales went wrong—by holding onto products that failed to sell during one season in hopes they would sell later on. They didn't.)