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THE LOCAL EXPERTS

When do you know when it's time to expand and to go for that additional funding to do so? Also, what is the best course of action to obtain that funding?

Rod Webb

Senior vice president and commercial banking officer, Crescent State Bank



The idea of expansion should be examined under the light of fundamental questions. First of all, why expand? Is there an opportunity to deliver new products to the marketplace that you have researched with your customers or prospects to gain confidence that they will sell profitably? Specifically, are there certain wines and/or accessories that you know you must carry that will sell because people have asked for them?

asked for them?

Is there a change in the industry that dictates that you must expand or you will not remain competitive? Is there empirical evidence that a certain store size, inventory level or general ambiance and feel is required to be competitive? Is there a product or service that your competition is delivering that you should be providing in order to garner profitable sales?

Such questions, while obvious, lead to other questions. The implementation of changes requires planning, research and usually capital.

The return on investment analytics on whether or not to expand should focus primarily on the return. If you execute any changes via expansion, what will it yield the store? Will the new products sell profitably? What does it cost in working capital to maintain more inventory? How is cash flow impacted by purchasing more inventory and what is the turn

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on that inventory to yield a profit? If there are physical changes to the store, how do these renovations grow revenue and yield profit?

If the profit is identified properly and the costs of expansion are measured, and one has the cash, capital and/or the capacity to borrow funds, it is probably time to expand.

All of the metrics should be couched with the owner's feeling about living with expansion. There is a symbiosis that must exist between the money and the mission or why one is in business in the first place. Yes, a factor is to make money and deliver products and services to people, but how that is done is paramount among entrepreneurs and business owners. So the owner must feel good about the expansion as well as see that it is profitable.

There are many avenues to obtain funding. The store began with cash from the owners and a line of credit. It is always a good start if the business has cash to fund the expansion as there are no finance charges on cash like there are with borrowed funds.

If outside investors are not an option, then borrowed funds are usually sought for expansion. If borrowed funds are sought, the borrower must be prepared to show the bank why the expansion is needed. Likewise, the bank will want to know how an expansion would allow the loan to be repaid in a timely manner and what kind of profit would be gained.

The bank will want to see that the loan can be repaid from the cash flow of the business. The bank will not want necessarily to fund the total cost of the expansion, so be prepared to discuss how much of the expansion the business will pay for with its own cash or with funds from the owners.

Other than hosting monthly events, what are some other steps the store can take to increase customer flow and develop more repeat customers in a down economy?

Ann Camden

Senior vice president

Gibbs & Soell

Rewarding customers with loyalty reward programs is a good way to recog-



nize repeat customers. Buy six cases and receive an additional 10 percent off the already reduced case price could prove worthwhile with little investment on the front end.

Many local wine shops are partnering with mid- to high-end restaurants as well for special wine tastings and pairings. While O'Keefe already has a relationship with Shuckers nearby ... he could expand that relationship to an actual wine pairing meal. As an alternative, he could utilize the menu and match tasting flights to their nightly specials.

Another way that Wine 101 might increase customer flow is to spotlight popular meals and/or holidays for popular pairings. For example, displays or Web highlights might focus on options for seasonal at-home dishes such as grilled fish and ribs with Pinot Gris during the summer, or as we move into fall focus on red wines that pair well with chili and stews. O'Keefe could tailor his displays in the store to match the pairings.

Building on the classes and workshops that O'Keefe already offers, he might consider adding themed seminars. For example, a business wine seminar titled, "How to Choose Wine for a Table" that caters to young executives who are just starting to take on the responsibility for pleasing a business crowd. Another example might include a seminar that targets young couples planning a wedding and helps coach them in selecting a wine for a crowd.