

If One Store Is Good, Two Must Be Better

By Jay Goltz

Maybe. Maybe not. There are all kinds of reasons to open up a second store: to make more money, to take advantage of better buying power, to get rid of an annoying relative you have to work with. These are all good reasons. But there are some big questions you need to ask yourself before you embark on such an endeavor.

Do you have the management in place to run a second store? Although science has taken great strides in recent years, they have yet to come up with a cloning device for humans. Running two stores can be five times as hard as running the one you have if you don't have someone to split the management responsibilities.

A lot of this has to do with what I call "The Refrigerator Door Syndrome". We all assume that when we close a refrigerator door the light goes off. But we can't really be sure, because every time we open the door, the light is on; every time we close the door, we can only assume the light goes off. We're not inside to see the light go off. We have to live on blind faith that the light goes off when the door closes.

The same thing happens when you walk into your second store. Everything seems fine! Everyone is working hard, no one is talking on the phone to their friends. Customer's are being waited on hand and foot. When you leave, you say to yourself, "I wonder if they do that when I'm not here." So you pop back in, to see what it's like when you're not there, but there you are. Hence, The Refrigerator Door Syndrome. A chilling thought.

When you run your own store, you are probably in most of the time and you can keep total control of what's going on. When you're not there as much, it's hard to have the same control. Don't kid yourself.

Assuming you have enough management to expand, the next question is whether you can you afford to pay them enough. Most of us make a certain amount of income from our own actual management of our store. If you have to pay a manager for you, it cuts into your profits. Is that something you can afford?

If you've been successful with your first location, are there some factors that can't be replicated with a second store? Is the area you're looking at for a second store as lucrative as your first location? Will you be able to find a staff as talented as the one you have? Will you pull business from your first location? Did it take you many years to build your first store to the level of where it is at, and can you afford to wait as long with a second store? Do you have the financial resources to support another location? How much of your personal involvement effected the success of your first store? Will either store suffer with only your partial involvement?

The last question you need to ask is this. Is there an alternative way to make more money? Ask yourself, if you put the same amount of energy and resources into your present location, would there be a better payback? A 15% growth in sales with overhead expenses being constant could easily have a better payback than a second



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store, without the risk. It is very tempting to expand in order to take advantage of the economies of scale in purchasing, advertising and management. I can only tell you from experience that the opening of a second store is easy, running it day to day is much more difficult.

When running one store, no matter what happens you can usually work it through by working harder and putting in more hours. When you have two stores, it's more like a two front war, and you

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better hope it never goes back to you having to run them both yourself. The lesson I've learned is this. If you're convinced that it would be a good idea to open a second store, you've weighed the pros and cons and you're determined to do so, the key factor is having a person to run the location; and in addition, being prepared that if they leave, having the support structure in place to handle that possibility. Without it, you run the real risk of jeopardizing everything you've worked hard for.

Bigger is not always better. ■

Jay Goltz started Artists' Frame Service in 1978 fresh out of college. Artists' Frame Service now employs 120 persons at its main location, a 35,000 square-foot showroom and production facility in Chicago. Goltz has received numerous business honors including induction into the Arthur Andersen and University of Illinois Entrepreneurship Hall of Fame (1992). He regularly speaks at business conferences on topics ranging from entrepreneurship to customer service. Goltz is best-known for his straight-talk on how to succeed in business.