

Tally Your “Same-Store” Results

Do what retailers do at year's end: Check performance for each system.

By Bryan Rader ■ *MediaWorks*

Do you ever look at your same-store sales figures from one year to the next? Now that it is the New Year, it may be a great time to look at the results for each of your cable systems on an individual basis.

How did you do last year? What were the results for each of your properties over the past 12 months? And, how did it compare to the previous 12 months?

In the retail business, everything is measured on a “same-store sales” basis. Each major retailer in the U.S. tracks the results of its stores, open at least one year, to see how they performed relative to prior years. Some companies may do very well and see their same-store sales jump by 5 to 7 percent in a given period. Other retailers may see a drop of 5 percent or more. This is a strong indicator of how their business is doing – on a micro basis (at the store level) and on a macro basis (the total sum of all the stores).

This past holiday season was rather telling among key U.S. retailers. Wal-Mart's revenue was up 1 percent to 3 percent, Costco was up 6 percent, and at Nordstrom revenue was up 3.1 percent. Others such as May Department Stores were down over 7 percent. This indicates how these companies have done compared to prior holiday shopping seasons. Did they have the right product mix? Enough product? The right styles or colors? All good questions for understanding the success of each store.

And they're the same questions we should be asking about our cable TV systems. This is a great time of the year

to analyze the patterns and make the year-to-year comparisons. Are revenues up in 2004 versus 2003 for each system? Were expenses up too? How did your net income trend?

The same-store sales analysis can tell you a lot about your business. This key metric shows the true performance of each of your cable systems: How well are you growing income? How well are you managing your expenses?

I have seen a lot of cable companies be very successful at growing revenues, while their operating costs grow at an even faster pace. Conversely, I've seen other operators grow revenues at a modest rate, but hold costs down and come out okay.

In this business, you must explore your same-store results. On many of our cable systems, we have seen strong positive trends. This may be due to new product launches such as high-speed Internet, or rate increases or a growing subscription count. Sometimes we are successful because of improved cost efficiencies gained by developing new systems in an existing cluster market.

But other times we are less successful. We may see a dip in our subscriber level, or a drop-off in premium penetration. Maybe the market is not accepting our rate increase, or our product is no longer attractive to a select demographic profile. The answer can be found by looking at your same-store numbers. Why are you up 7 percent on some systems, and down 7 percent on others?

The best retailer at managing same-store sales may be Starbucks, and it has done it successfully even without price

increases (Yes, you can spend \$4 for a fancy cup of coffee there, but the plain cup is competitively priced). Starbucks continues to add to its revenue. Food aside from coffee now makes up 14 percent of sales. Music has a small but growing share and teas help, while sales of beans, gift cards, coffee accessories and other items keep expanding.

Starbucks's recently announced same-store sales growth in excess of 10 percent for 2004. This means that if a single store did \$3 million in sales in 2003, on average it exceeded \$3.3 million in 2004. How did the managers find another \$300,000 in revenue?

How can private cable operators find another \$300,000 in revenue? Can we add more products like Starbucks? We can certainly expand our broadband product line. We can roll-out VoIP. We can offer new digital tiers too.

Good operators will look at these questions at the beginning of the year on a system-by-system basis. I hope your same-store sales analysis will guide you to make successful decisions to improve your numbers in 2005. I wish each of you a successful New Year, especially on a “same-store” basis. ♦

About The Author

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