By Bill Wilson

Easy-to-Use Tools for Improving Retail Business Results

Is brick-and-mortar retail nearing its end in the U.S.? Not according to *Forbes* magazine, which recently reported a renaissance among small businesses learning to adapt and thrive through a combination of personalized, knowledgeable support services, and innovative products customers can sample firsthand.

Now the hard part. How can local, independent retailers enhance profits in this rapidly evolving environment?

Many have turned to the wisdom offered by familiar Key Performance Indicators (KPIs) and their ability to improve sales with practical, day-to-day tools that analyze GMROI, sales, inventory and other benchmarks using tools that work quickly, easily and without the need to pore over reams of reports or analytics.

ANALYTICAL APPROACH TO ENHANCED SALES

It's reasonable to assume that the sales performances of similar items will be steady across multiple locations. However, when sales are drastically lower from one store to another, it could mean inventory levels are too low, the product has not been merchandised properly or competition has increased. Identifying the source of anomalies can help managers boost numbers through the sharing of success information and the better merchandizing of select hot-ticket items.

Owners focus on top- and bottom-line numbers, while accountants are commonly concerned with gross profit dollars and margins. However, for the store or department manager it's always about the sale of the true bread and butter products that continually attract customers and significantly impact the top line. Knowing when and how to sell these top 100 items can positively influence the sale of complementary products through strategic promotions and smart merchandising efforts.

This is only the first step in cross selling. One mistake commonly made by many retailers involves the gathering of all on-sale items at an endcap or other prominent locations without the accompaniment of affinity items. For the best results, it is more beneficial to display high-margin complementary products right beside sale items. For example, the placement of drop cloths, tape and buckets with paint brushes marked 20 percent off.

KNOW YOUR INVENTORY

Next up, the importance of properly stocking top performers. Inventory issues are probably the greatest single cause of headache among retailers.

KPIs can relieve stress by reducing the revenue lost to insufficient stock

levels. Quality analytical tools identify order points set too low, the accelerated sale of specific items or even the manual mistakes that can lead to the understocking of key products at peak times. They are also ideal for showing every item stocked beyond a six-month supply—almost certainly an unnecessary cash investment.

Quickly finding these items and freeing up cash, while potentially making space for faster-selling stock can save thousands and boost revenues.

Another important KPI advantage surrounds the development of "danger lists" containing top sellers along with their stock, purchasing and sales velocity information. Unfortunately, any product's presence on this list usually means the loss of more than one sale. Just like eCommerce, brick-and-mortar retailers suffer abandoned carts when select items are unavailable.

The weekend homeowner preparing to install a small sprinkler system won't buy supplies from a store missing basic items like pipe elbows or PVC glue. Subsequently, one missing $2 item could cost $100 in overall purchases. Checking danger lists regularly can help stores stock appropriately before sales, meet seasonal purchase needs and make sure the usual complementary items are in place.

ANNUAL SALES INDICATORS

Year-over-year indicators are invaluable for assessing items that have moved significantly up or down in sales volume. When sales increase or decrease over a certain threshold—even if the transition has been slow and only shows up during annual reviews—it's time to look for answers to questions like: What changed? Did pricing adjustments make a specific product uncompetitive (sales decrease) or too competitive (an increase at the expense of lost margin)? Did competitors grab market share? Has an external trend affected the overall market? Has the product itself changed somehow?

In addition to not only revealing "hot" products, such findings can prove extremely useful for cross selling affinity products or even identifying complementary items the store may want to stock or feature in future promotions. Furthermore, it can point to changes in customer buying behaviors and the ability to stay in front of the latest trends and opportunities.

Other value points include helping retailers avoid margin erosion by showing the inventory items that went up or down in price, but have not been priced accordingly on the shelf. For instance, a wholesaler recently reduced the price by half of a caulk gun provided to retailers. Luckily, the KPI alerted personnel to the change before it cost sales. Who would pay a premium price for a basic product and then return once finding out they grossly overpaid? ■

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