

Space-Insider

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EDITORIAL

We all know the expression “the devil is in the detail” and this is so true for the performance of your business. ABS (Australian Bureau of Statistics) reported to the end of February, 2012 a rise of in turnover for the retail sector of 0.1% from January which was similar to December trading figures. Seasonally adjusted trading sales estimates for the Australian market rose 0.2% in February, 2012. Pharmaceutical, cosmetic and toiletry goods retailing – seasonally adjusted – was in decline by (2.3%)!

With negative growth being achieved in some areas together with consumer confidence falling by 1.6% (Westpac Melbourne Institute Index of Consumer Sentiment – April 2012) retailers need to use all the tools they can muster to ensure that the products/ services that are being offered are (a) what the customer is looking for and (b) sustainable by the business in the immediate future i.e. You can return a profit.

To do this you have to review every detail of business performance. The section below is the 1st Part of a 6 Part Series to assist you in analysing and improving your business (PROFIT is not a dirty word) :-

Part 1	Strategic Review
Part 2	Buying and Selling Merchandise
Part 3	All About the People
Part 4	Managing Operations to Budgets

Part 5	Marketing and Sales Objectives
Part 6	Implementing Change

PART 1 – STRATEGIC REVIEW

10 Step Process – Made Easy

1. Do you effectively communicate to all your stakeholders:-
 - a) What your business is about - Mission Statement
 - b) How you want to be perceived in the market place – Vision Statement
 - c) What your offering is and the value of the offering - Value Statement
2. Look at market penetration for your existing products – is it what you expected!
3. Look at what else you can provide to the market – adding additional service lines, e.g. Blood pressure testing, diabetes checks, heart checks, etc. alongside the specials you may have for fish oil, etc.
4. Consider is it enough to just sell the product at a good price because you bought it at a good price – This type of action does not generate returning custom. Is this what your staff think your business is about?

5. Diversify from the way you currently do business– and reach new markets by:
 - a) Incorporating an on-line product offering
 - b) Utilising social media
 - c) Constructing groups outside of the “store” environment

i.e. Use all channels of communication to engage with your customers rather than just the “walk-in” approach
6. Don’t limit your market review to just your existing customers - compare yourself to the local Woolworths/Coles, your competing businesses/pharmacies and the on-line offerings available to your customers.
7. Do you know what the current KVI’s are (known value items) for your industry – are you pricing and delivering them appropriately in order to complete.
8. Discuss the results with your team and how together you are going to implement change.
9. Identify what actions and changes you need to achieve the above
10. Review – do you “Walk the Talk” flowing from the above points.

Feel free to contact me to discuss.

Teresa Hooper

Partner
JR.bizlink

(07) 3222 8461
0438 648 605

CATEGORY PERFORMANCE CHART AND KPI ANALYSIS

One of the reports available in JR.spacelink is the Category Performance Chart. This report graphically illustrates important Key Performance Indicators (KPI’s) on which to measure the performance of an individual department in relation to staff and stock productivity. The KPI’s measured are:

- ⇒ Customer Number
- ⇒ Average Sale per Customer
- ⇒ Sales/Linear Metre
- ⇒ GP%
- ⇒ Stock Turn
- ⇒ Gross Margin Return on Inventory (GMROI)
- ⇒ Gross Margin Return on Space (GMROS)
- ⇒ Items per Transaction

The example report on the following page shows the results for the Analgesics department between July 2011 and March 2012. The comparison of your store’s results are benchmarked against a pre-chosen benchmark group.

Suggestions on how to improve these KPI’s are also available. JR.spacelink can provide an analysis of how your departments are performing i.e.:

- ⇒ Below Average
- ⇒ Line Ball
- ⇒ Above Average

It can also provide a variety of recommendations based on the performance of your departments.

The text below shows the general comment and suggestions for improving Average Sale per Customer where the result was Below Average.

Average Sale per Customer

General Comment

The average sale is heavily influenced by your Pricing and Category Strategy.

The average sale is the only figure that you can manage transaction by transaction. This is because it is based on a combination of selling and merchandising skills.

Your Result

For period 1/07/2011 to 31/03/2012

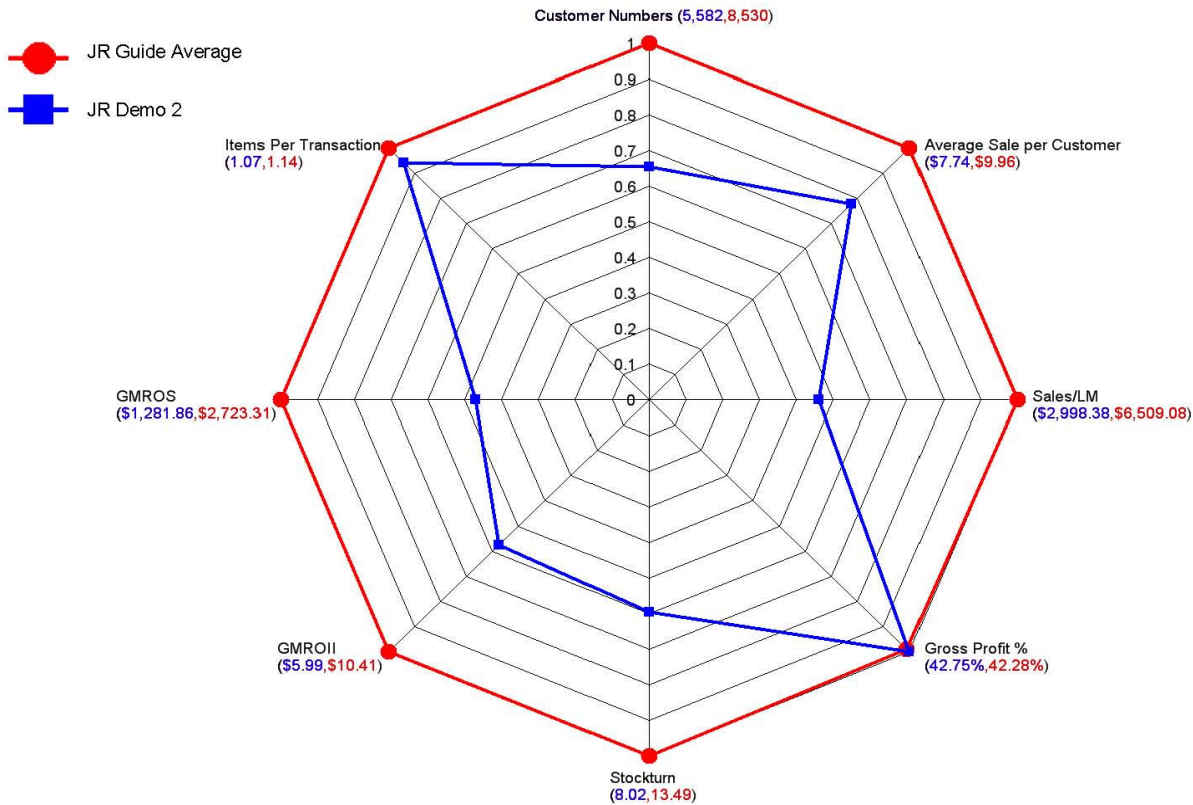
Your Result of **\$7.74**, compared to the selected Reporting Group average of **\$9.96**, gives you a rating of **BELOW AVERAGE** .

Performance Benchmarking Report
Powered by JR.spacelink

We acknowledge the input of Hilary Kahn, Frontline Strategies Pty Ltd



JR Demo 2
Analgesics - From 01-Jul-2011 to 31-Mar-2012



Best Performing Average Sale	Best Performing GMROS	Best Performing Items/Per Trans.
\$15.83	\$169	1.28

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It can be increased in an easy manner, and it can also be reduced in the same process. For example if you utilise an aggressive discounting policy, the average sale may drop, unless customers are purchasing in bulk. On the other hand, if you position your agencies successfully the average sale will increase.

For example:

- ⇒ Position nappies next to nappy san, rash cream and wipes.
- ⇒ Add shelf talkers
- ⇒ And watch what happens to average sale

Other easy ways to increase the average sale is to sell up or add on. Staff training, bundled promotions, provision of services etc all have a role to play in achieving the goal. Where the average sale does not move, it is generally because nothing has been done differently from the last period.

By reviewing these results and taking the appropriate action where necessary, you can greatly improve the performance of your departments.

The Category Performance Chart and KPI Analysis is available under the Reports > Charts Reports menu in JR.spacelink.

Kirsty Block

Consultant

JR.bizlink



CONTACT THE TEAM

Teresa Hooper

(07) 3222 8461

thooper@jr.com.au

Kirsty Block

(07) 3222 8479

kblock@jr.com.au

Victoria Cole

(07) 3222 8338

vcollection@jr.com.au

