



Store Optimiser Sample Report

13 sample pages from 44-page report

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STORE OPTIMISER REPORT

Methodology

The Store Optimiser Report is based on a combination of empirical evidence from store financials, regional data as well as visual floor-walks, observations and general discussions with staff. The purpose of this report is not to filter out and dilute any ideas, suggestions and thoughts but rather to structure store feedback in such a way as to allow the store management team the ability to determine what suggestions and ideas could be worth pursuing. In other words, some of the suggestions we have here may be “left field” but we will leave that for you to decide on and filter out. Let’s also start off by saying that it was a pleasure to work with your staff – friendly and helpful was all we experienced, and those who I personally spoke to were very keen to learn and get some ideas.

The major focus areas were limited to the retail area, and specifically we have also tried to focus on quick wins, to:

- build sales,
- build profit,
- enhance market share and,
- grow transactions,

as opposed to capital intensive suggestions, as per our discussion. Whilst that has been the focus, we will still list any other suggestions we have, for your consideration, including any requiring capital investment.

The analysis in this report is a result of data provided by the store which we have accepted at face value. We offer our views as clearly as we are able to, but ask that any actions and initiatives you take as a result of this report should be checked with and/or verified against other relevant parties, data and appropriate sources.

The report is structured in three key areas:

a) Tactical Feedback and Suggestions, including a range of observations all of which could be deemed to have a short to medium term impact. Typically this includes views on merchandising, store disciplines, layouts and range, signage and navigation aids and service. A range of photographic evidence occasionally compliments it. We would usually also reference statistical data, but given we have just concluded a Census, and the results are not yet available, we have chosen to leave this out of the report.

b) People and Measurement, including suggestions for the management, measurement and leadership of your staff, given the suggestions we make in the two key focus areas above.

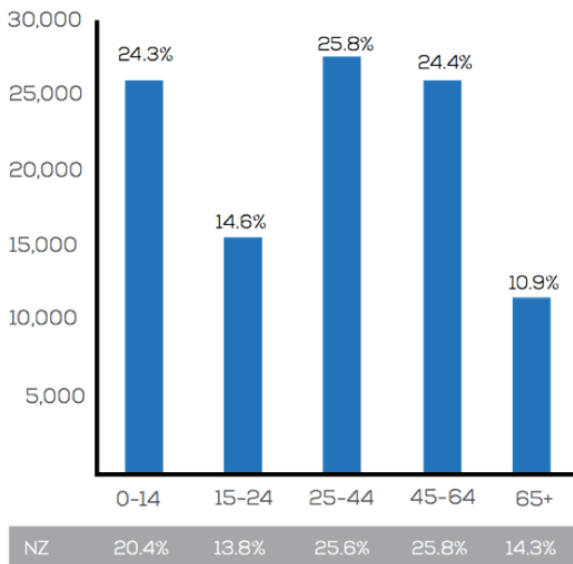
c) Long Term Focus, including a more long term view on range, space allocation, category strategy, floor management, sales, profit and growth metrics and category priority in the context of the competitor environment. Your own plans for the next 3 to 5 years also form part of the strategic focus, providing some context with respect to any potential major investments you may make in the store in the next 3 to 5 years.

SOME ASSUMPTIONS & GENERAL DEPARTURE POINTS

Based on the information provided by the store and from the NZ Bureau of Statistics, the following provides some background and context.

- Population growth in the region is higher than the NZ average – 8%+ v 5%+.
- The population is generally young and of the Family type.

Age Profile Example Store



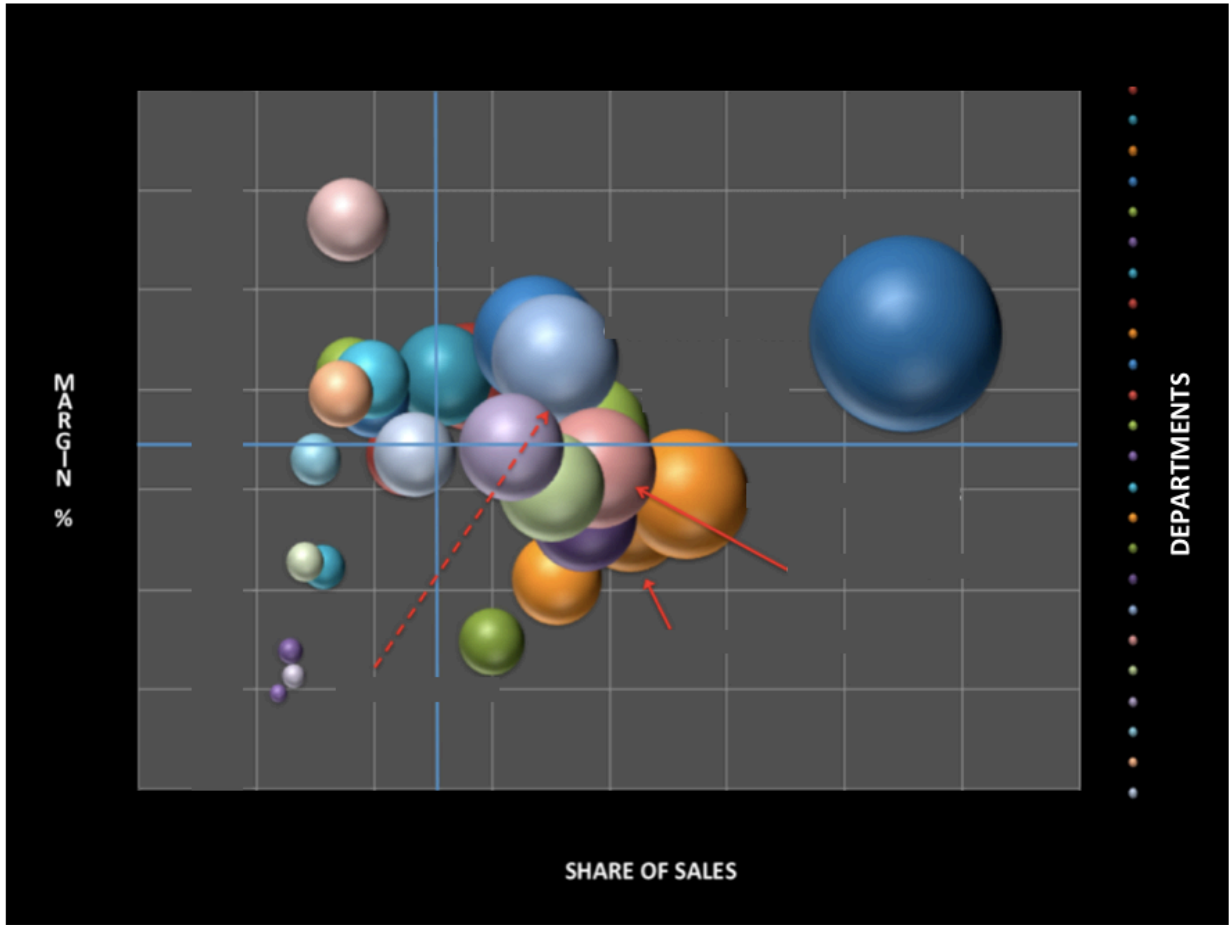
- The area has far greater ethnic diversity than the NZ average, with Maori, Pacific and Asian people making up 40% of the population.
- There is a greater proportion of households that have income over \$100,000 than average, but more households are mortgaged or rented than the average.

From the reports you have provided we can see:

- The store has a X% Retail market share, based on Group stats.
- Average retail basket is \$X.
- Average retail basket item count is X – we believe this number is incorrect, and should be X, but this is the number provided by the Group.
- Average retail price point per item is \$X.
- Annual transaction count is X, giving a daily average of X transactions per day.
- CX engagement in January 2018 trails the group average at X% v X% Region average.
- CX satisfaction was higher than the average in January 2018 at X% v X% average.
- Cross Sell is a big opportunity at X v X Average, based on January 2018 numbers.
- With sales X% softer, pushing Gross Margin dollars X% down (although it is up at the % level) and OPEX being \$Xk worse than budget YTD, (driven mostly by \$Xk in wages and salaries), this translates into a X% softer NPAT YTD.
- The largest share of Retail Profit Mix in the store comes from, in descending order:
 - Department B: X%
 - Department D: X%
 - Department H: X%
 - Department K: X%
 - Department O: X%

Departmental Contribution Map

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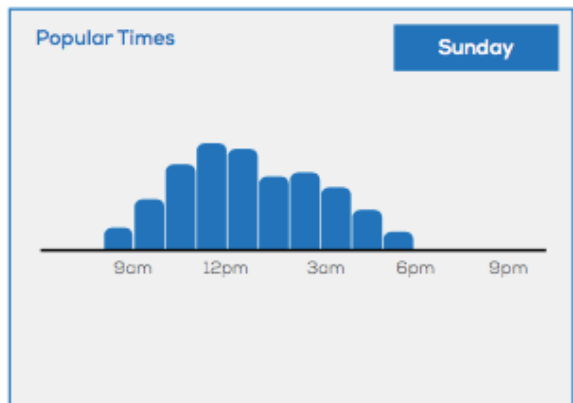
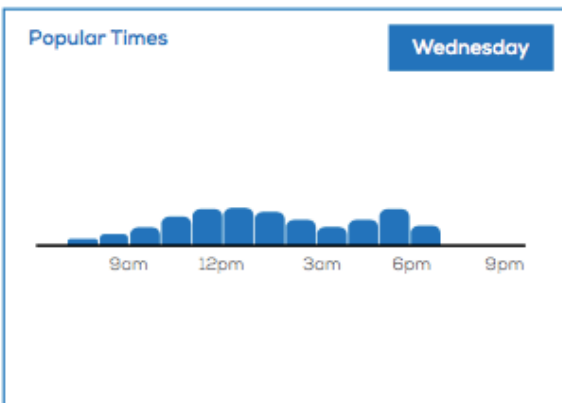
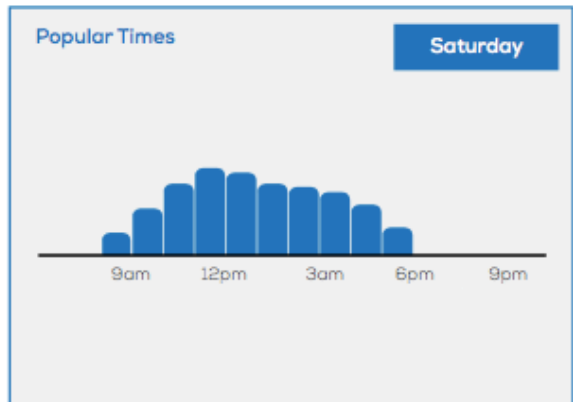
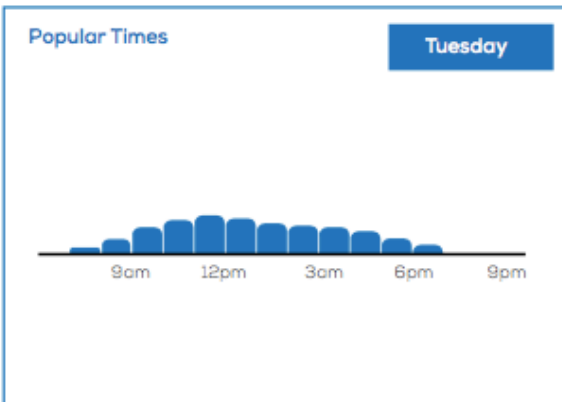
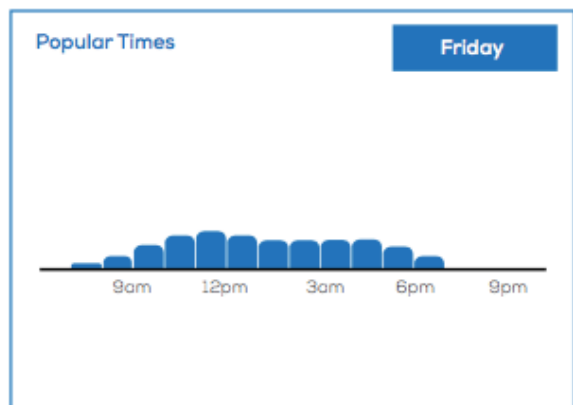
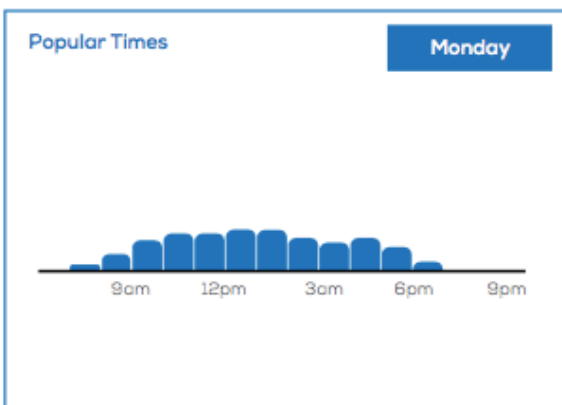
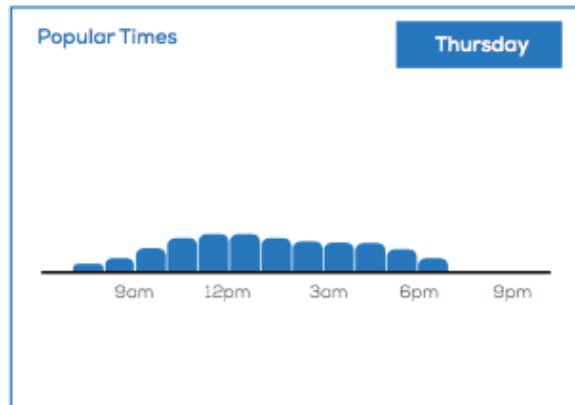
12 Months to December 2017 Retail Sales and Margin Mix

SEGMENT	SALES AND MARGIN DATA - 12 months to Dec 2017						STOCK		
STORE DEPARTMENTS	SALES (INC 15% GST)	CTS MIX	GP%	GP \$	CTM	CTM AS A % OF TOTAL GP	ANNUAL STOCK TURNS	SALES AT COST (WEEKLY)	INVENTORY (@ COST)
Department A	\$0,000,000	\$0	0%	\$000,000	\$0	0%	0	\$000,000	\$0,000,000
Department B	\$000,000	\$0	0%	\$000,000	\$0	0%	0	\$000,000	\$0,000,000
Department C	\$000,000	\$0	0%	\$000,000	\$0	0%	0	\$000,000	\$0,000,000
Department D	\$0,000,000	\$0	0%	\$000,000	\$0	0%	0	\$000,000	\$0,000,000
Department E	\$000,000	\$0	0%	\$000,000	\$0	0%	0	\$000,000	\$0,000,000
Department F	\$0,000,000	\$0	0%	\$000,000	\$0	0%	0	\$000,000	\$0,000,000
Department G	\$000,000	\$0	0%	\$000,000	\$0	0%	0	\$000,000	\$0,000,000
Department H	\$000,000	\$0	0%	\$000,000	\$0	0%	0	\$000,000	\$0,000,000

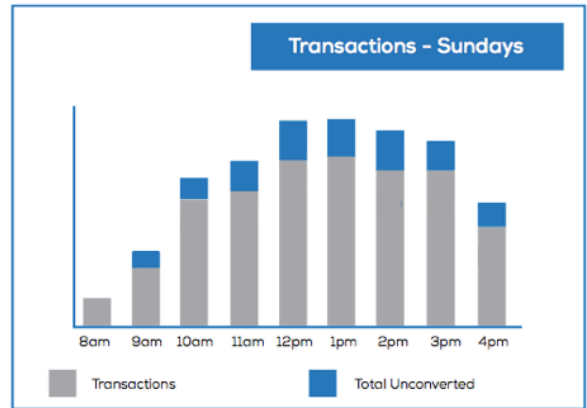
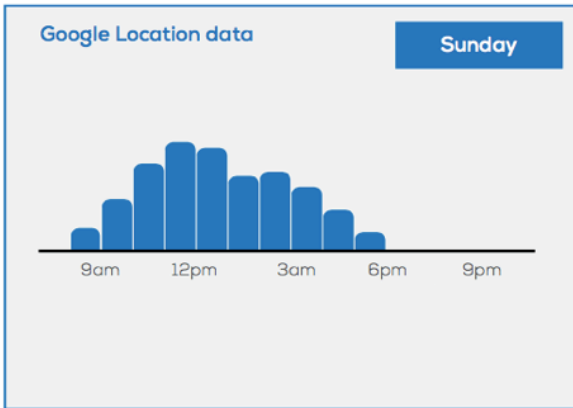
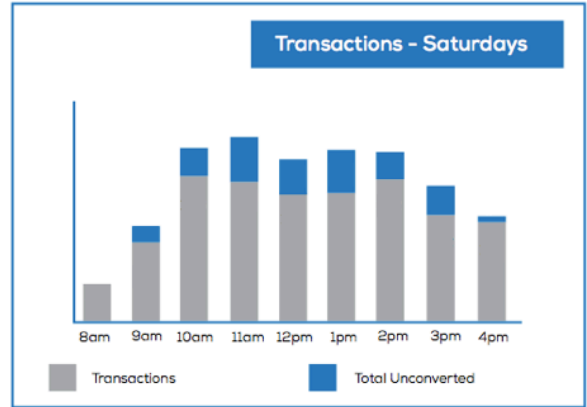
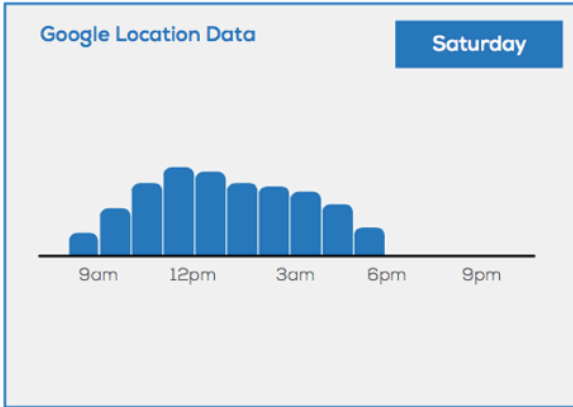
Store Customer Visits – Google Analytics

On weekdays potential customer traffic is generally similar over the week, with more potential customers in the mornings than in the afternoons, with Wednesday being the exception. On Wednesdays, there are more potential customers in the area from 5pm to 6pm than on any other weekday afternoon, relative to the rest of the week.

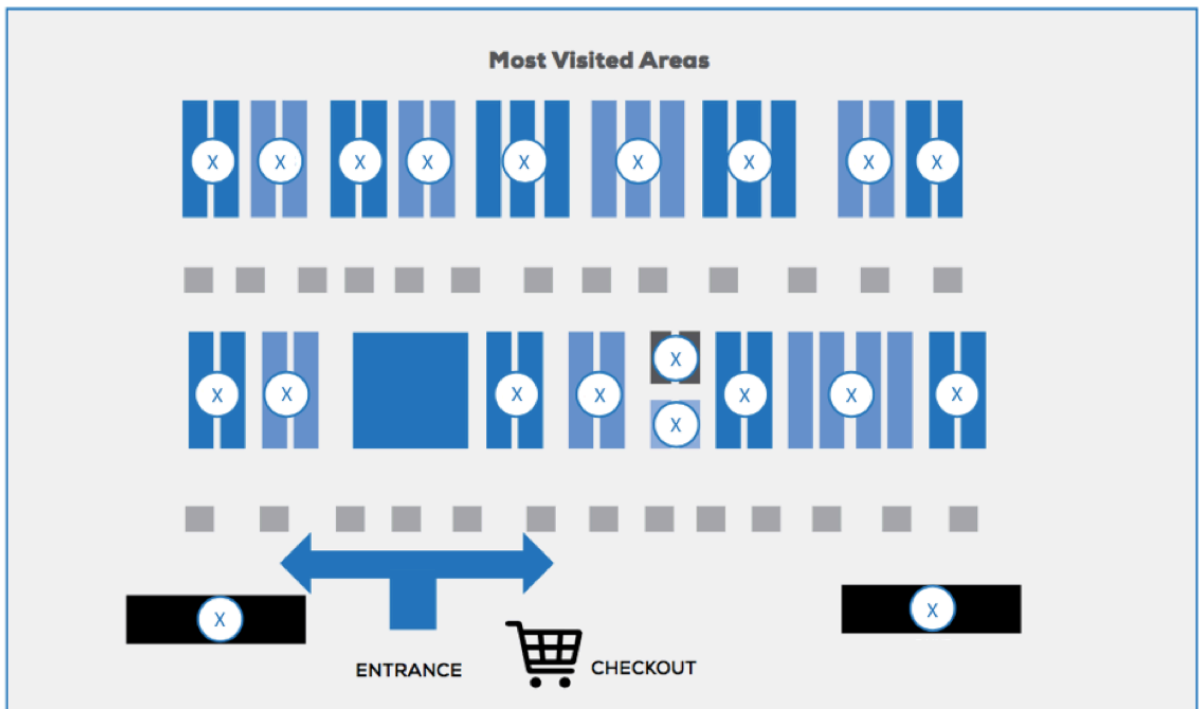
From a retail specific perspective, weekends are similar with Sundays peaking between 11am and 1pm, and Saturdays following a similar pattern.



Store Conversion Rates



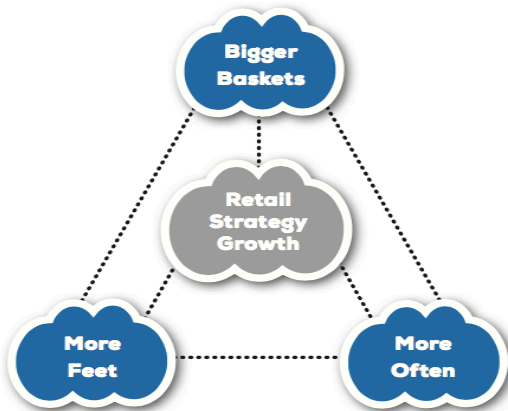
Strike Rates by Department



INTRODUCTION SUMMARY

Based on the above background, graphs and data, there is an opportunity to grow customers and transaction values, as well as the retail GP% as it sits below some comparative stores. We will explore these ideas in detail in the report, but in summary:

- Micro layouts throughout the store do not always actively encourage companion sales, which typically add better GP% than KVI lines, especially in the categories in which your store does exceptionally well.

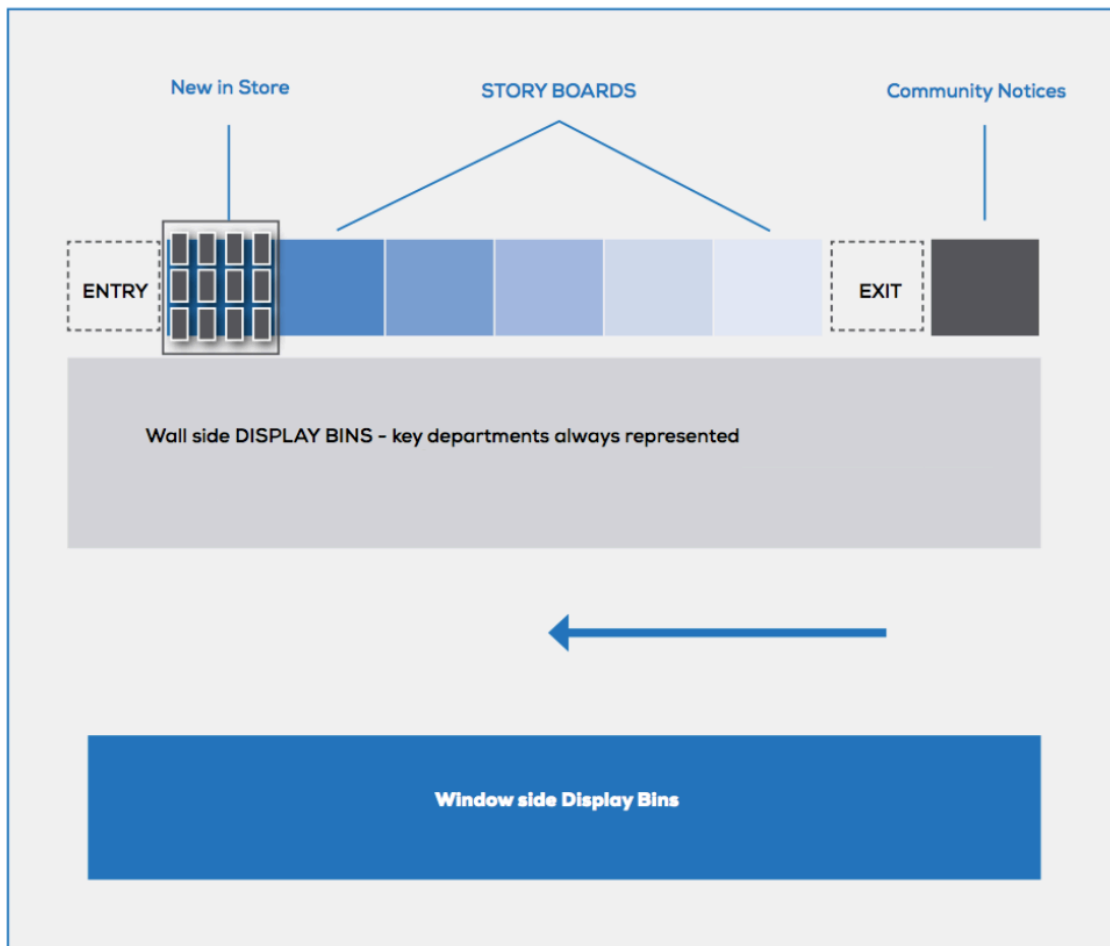


- Staff are generally very keen, and we found them service focused but not merchandise savvy, almost certainly due to a lack of understanding of how the shelf, adjacencies and all general hygiene factors can dramatically affect item counts in transactions.

- Shelves are not merchandised in sync with CDTs (customer decision trees) or with inventory and rate of sale as a prerequisite. There is an enormous opportunity in this discipline up for grabs.
- There is opportunity in the store presentation, internally and externally, that can both increase items per transaction but also generate loyalty, and translate over time into a greater customer count. It is not at all surprising that Department C is such a strength of the store as this department's presentation and micro presentation is very good overall.
- There are some departments in the store that have great opportunities – Department B, Department C (even given its strength already), Department K, and Department M.
- Attracting new customers is always one of the more difficult levers to use, but there is opportunity here as well, specifically as WOM (word of mouth) marketing is concerned.

The next part of the report will deal with tactical (short to medium term) ideas for relatively quick implementation.

OUTSIDE AND ENTRANCE

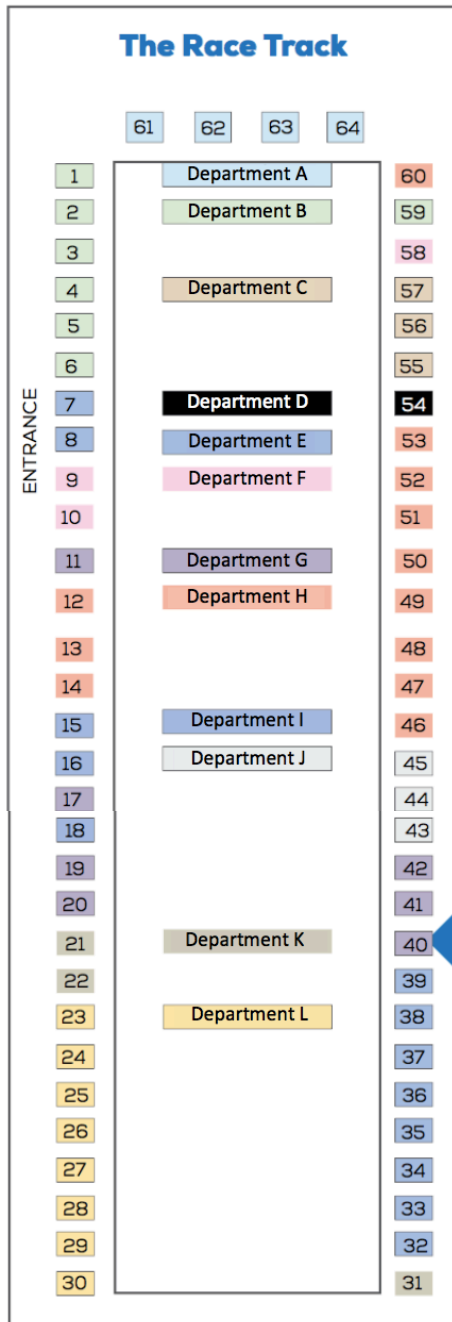


- b)** 6 x key anchor categories. Instead of art, use the wall space to display department stories. The idea is that your key categories are given big, bold visually appealing and imaginative storylines. Marketing may already have some such solutions to hand, but if not they are relatively easy to create.
- c)** These key stories would be for departments that trade well, and for which you are well known.
- d)** The storyboards can be replaceable, with the cost being for printing and paper, not frame. I would compliment the display with brochures, easily able to be picked up from a wall-mounted sleeve just below the display.
- e)** 1 x community story. As part of connecting with the community we suggest you create a community centric noticeboard as well. This can take many forms, from displaying local suppliers and product, or staff and management from the area, charities that you support, schools, retirement homes etc. that you have assisted, feel good local stories etc., etc. The community slot could also be a celebration of who's who in store. A photo board of all department managers, with names and length of service or other interesting "people" information. We will deal with culture in another part of this report, but there are a number of examples of this in both Group and other store formats. One of the best I have seen is in X. Culture will form a big part of this report later.

DRIVE AISLES

1 There are 60, (or 64 depending on how it's counted) drive aisle pallet display locations in the store. There is an opportunity to take a slightly more tactical view of how to use them, how to manage them and how to monitor the returns from them.

2 At time of writing, the location of pallets, the alignment with Section 1 location and general share of space is quite well managed, with your key departments getting a wonderful representation in the drive aisle locations.



SPACE ALLOCATIONS	DRIVE AISLE LOCATIONS	SHARE OF DRIVE AISLE	SHARE OF SALES	RATIO	COMMENT
Department A	X	X	X	X	Ineffective representation in Drive Aisle
Department B	X	X	X	X	Good
Department C	X	X	X	X	Ineffective representation in Drive Aisle
Department D	X	X	X	X	
Department E	X	X	X	X	Ineffective representation in Drive Aisle
Department F	X	X	X	X	Ineffective representation in Drive Aisle
Department G	X	X	X	X	Fair
Department H	X	X	X	X	Good
Department I	X	X	X	X	Ineffective representation in Drive Aisle
Department J	X	X	X	X	Good
Department K	X	X	X	X	Good
Department L	X	X	X	X	
TOTALS	X	X	X		

As an aside, always ensure line of sight is maintained by keeping displays low and/or clear of the thoroughfares that cross over the Race Track.

See the series of 4 photos at the end of this section as an example. This is a good discipline to use when building race track displays.

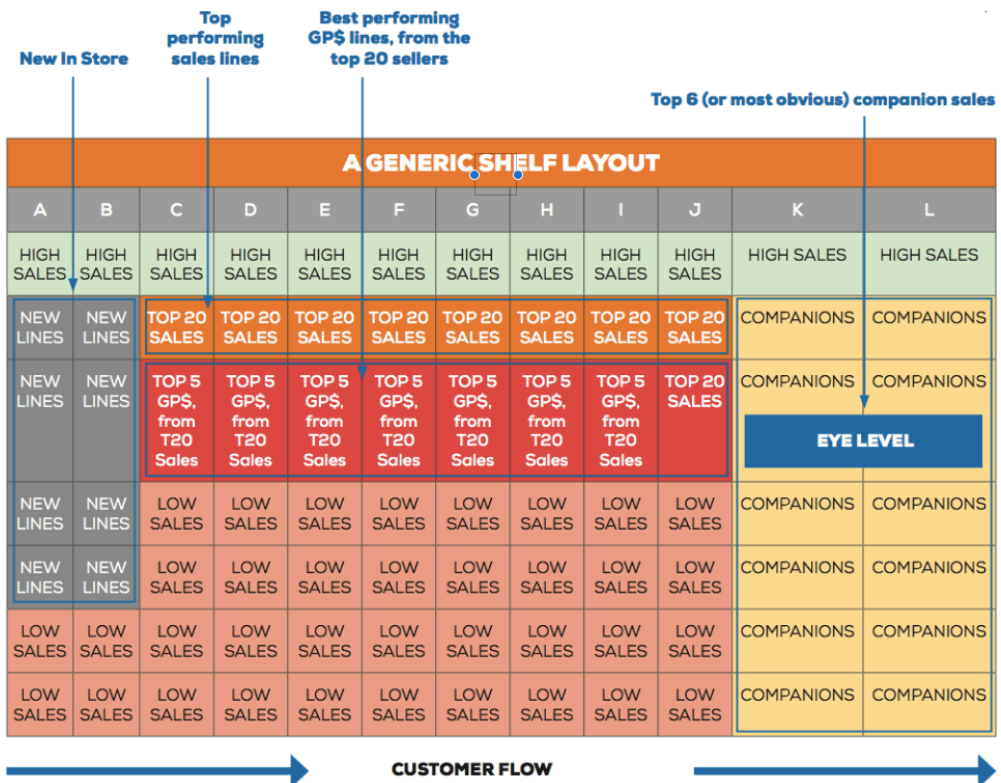
- NOT REPRESENTED**
- DEPARTMENT M
 - DEPARTMENT N
 - DEPARTMENT O
 - DEPARTMENT P
 - DEPARTMENT Q
 - DEPARTMENT R
 - DEPARTMENT S
 - DEPARTMENT T
 - DEPARTMENT U

DEPARTMENT I

- 1 Department I is a great category to show the benefits of micro-location management, adjacencies and general shelf management. Many of the principles we will discuss here are equally applicable to all the shelf-managed products.
- 2 These principles, at a minimum, are as follows:
 - a. All staff should know what their 5 top sellers per sub department are. These items have a specific location on shelf, with specific adjacencies, and should never be out of stock. Their order quantity's (and MINS) should be checked on the Inventory system at regular intervals. To compliment this bring back the sticker idea – it's a great idea.
 - b. All staff should know what their top 5 unit GP\$ products are, that sit in the top 20 sellers. These items have a specific location on shelf, with specific adjacencies, and should never be out of stock.
 - c. Each of the **TOP 5 GP\$** lines, and each of the **TOP 5 SALES** lines, should have another 3 to

5 companion products that all staff are aware of. Coffee pods with coffee machines is an obvious example. The companions should never be merchandised more than a bay away, wherever possible, but should **ALWAYS** be within line of sight of the anchor product. This approach is not practical in many departments, but Department I is one where it is, and it can also be applied in many similar oriented departments.

- 3 There is significant evidence from our analysis that suggests X% of every transaction in the store is a single item purchase, and this represents an enormous upside for the store. To be frank, this number suggests it is one of the single biggest opportunities the store has. Companion sales are achieved through people and through location. By getting staff to know these product stories, plus their CTS and CTM opportunities, and then applying this to the shelf you create two opportunities for better cross sell.



PEOPLE AND MEASUREMENT

1 There are a number of simple courses we think would suit your floor staff and management very well and they are easy to do, in store. They include:

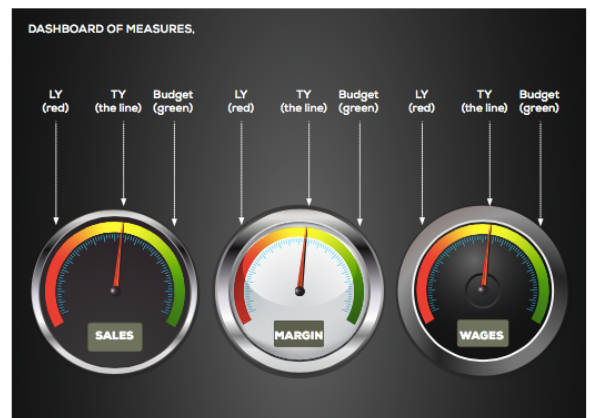
- a) Merchandising and Display building, which includes:
 - How to build a shelf
 - Managing space to sales relationships
 - How to build a display
 - The use of signage
 - Colour, shape, size and flow in merchandising
 - Understanding CDT – Customer Decision Trees
- b) Shelf Management
- c) Inventory Management
 - Ordering, Mins and Facings
 - Inventory basics

2 We suggest you institute a set of metrics for measurement purposes, which your managers report on and measure on a weekly basis. The KPIs that the department managers are measured on could be broken into two key areas – Lead and Lag Metrics. Lag metrics are the standard measures you tend to measure anyway, and are the discussion points we see in your usual reports and which we found on the noticeboards. Lead metrics are scores that tend to focus on behaviour and are predictive of sales and margin. We strongly suggest that you keep the meetings simple, short and metric focused.

We also suggest that while Person 1 facilitates them, the ownership and responsibility for

reporting on all metrics be given to each department manager. They should also be tasked with finding the right information each week, asking for the right data and making the right recommendations. There are no shortcuts here, and this will take some time to build as a discipline and a competence but it has multiple benefits. The most important benefits are involvement, ownership, KPI focused and the resultant delivery of sales and profit. These meetings take place each week, and the agenda is simple but owned by the managers. It includes:

- a) Report on last week – this is a report from the Department manager on the week passed. The focus is the dashboard suggested below.
- b) Issues from the previous week – problems that we need to make sure don't happen again.
- c) The week ahead – what's coming, what preparation do we need, and what do I (the DM) project – will we make budget, won't we, why, why not etc., etc.
- d) Other items.



LONG TERM FOCUS

At ieRetail we have long believed that the first rule of strategy is:

“Be better at being you, instead of trying to be better at being them.”

In simple terms this means taking the store strengths and making them impenetrable. It also means taking the store weaknesses and removing them as fast as possible. The store strengths we refer to are:



Department A



Department D



Department H



Department K



Department M

It is for this reason that we have made so many suggestions for these departments, and focused on these departments for tactical ideas such as shelf layouts, space management, navigation and signage, displays, sight lines and the like.

The store weaknesses, excluding the Macro Layout items we have referred to, are mostly related to staff technical skills (skills, not attitudes – the attitudes are very positive from what we witnessed), metric management and reporting, merchandising systems, micro layouts and adjacencies, customer insights and

related sales management, and the display and presentation standards.

For these reasons we have focused on these areas, as building great technical skills in your people, on the back of great attitude, is a long term project, but a very necessary one. In your business, like many others, people buy from people, so building great skill sets and personal ownership is essential if the store is to be able to sell as effectively as the people can. Customers are sold to by staff (verbal) and by the fixture and store (visual). The two have to work in tandem, and once staff understand the skills required to get the store to visually match their knowledge (verbally) then the results will be pretty obvious to see.

Every idea and suggestion listed in this paper is intended to focus on sales, margin and customer growth, translating into gains in profitable market share growth. It is for your team to decide which merit further action, which can be implemented in their entirety, which may be amended before implementation, and which may be parked or ignored altogether.

Strategically speaking, we suggest the long-term focus should look at these 2 extremes, the strengths and the weaknesses, and deal with them as listed in this report. As mentioned previously, we are not always aware of Group standards, procedures and policy, so would ask that you please review and validate any suggestions we have made with the appropriate personnel in the store and with Group, as may be necessary.

Thank you for allowing us the opportunity to work with your team, and we look forward to explaining this analysis in person if you prefer, and providing whatever assistance we can in implementing the ideas suggestion herein.

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info@ieretail.com

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