

R.J.Calio Consulting,LLC

**Helping retailers to chose the right technology for their store,
and providing them with the strategies to use it.**

Winter Newsletter 2008

The purpose of this newsletter is to discuss topics relevant to your business and hopefully identify ways for you to make better use of your technology. Any comments or suggestions you have are welcome.

Recession

Is the economy trending toward a recessionary period or a consumer spending slowdown? In either case, the “right information at the right time” is essential to your survival and growth. Think of your store as a compilation of numbers. Since there are so many, the trick is to determine which ones are essential. It is time to get back on your game and look at key data on a weekly and monthly basis. What are the key numbers you should be looking at?

Weekly:

Gross margin by department: Any department that has a maintained margin below the target margin for that department should be looked at down to the SKU level to find those items causing the problem. Fixing margin weekly help you to capture lost margin due to incorrectly priced merchandise. This exercise alone can result in a 1%-1.5% capture of lost margin.

Monthly: Put these key numbers on a spreadsheet in monthly columns. This exercise will provide you with the key numbers you need to know and give you a month to month comparison. The goal of the process is to provide you with timely information, and to help you spot trends and problems quickly in order to take corrective action.

- Inventory valuation at cost:**
- Inventory turn by department (divide the value of your inventory at retail by total retail sales)**
- Number of transactions**
- Average ticket**

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Once you have these key numbers, put them into an Excel spreadsheet. Moving forward, you will have a very powerful analytical tool with key historical data and trends about your business. You will have the necessary information to spot a problem or a trend, and take corrective action immediately. So what's the payback to this analytical process? I believe you can achieve a 1%-3% positive effect to your bottom line. In addition to the positive effect to your gross margin you will have a leaner, tighter inventory resulting in fewer markdowns, sales and fresher stock. Your business will be in better cash position.

Holiday sales recap:

Holiday sales in 2007 were 22% of the total annual retail sales. Fifteen years ago holiday sales were 25%. In some ways, this a positive trend, indicating that shopping patterns are becoming more evenly distributed throughout the year.

Gift Card sales were 5.9% of total holiday sales. As a result of this dramatic growth in gift card sales, retailers have adjusted their post holiday sales. New merchandise is being mixed in with carryover sales items in order to take advantage of this fresh money coming into the stores after the holiday.

If you are not prominently displaying gift cards and promoting them as a product, you are missing a significant sales opportunity. Gift cards are also a great way of acquiring new customers.

Inflation: Let's compare 2008 to 1980

	1980	2008
Interest rate:	17.6%	4.25%
Inflation rate:	13.6%	4.3%
Price of gas:	\$1.26	\$ 3.27
Per Capita income in Connecticut:	\$30,500	\$49,500

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In 1980 I was borrowing money for letters of credit to finance my import business. The interest factor was the prime rate plus 2% or close to 20% interest. By comparison these 2008 numbers do not look that bad.

What bugs customers the most:

- **Out of stock or inadequate product assortments**
 - **Poor customer service**
 - **Inefficient processing at the cash register**
 - **Lack of employee knowledge**
 - **Store policies that are restrictive**
 - **No special orders**
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Grocery and Specialty Grocery Trends:

- **Over growth in grocery and specialty grocery has been steady at between 3%-5% annually**
- **Supermarket visits are down 15% in the past 5 years, from 72 to 61 annual visits.**
- **Basket size has dropped 15%**
- **Where are the dollars going? Wholesales clubs and specialty stores.**
- **The merchandise focus is now on the perimeter of the store**
- **Product assortments should be localized to meet ethnic and economic differences between your stores.**

These trends are good news for specialty grocers and natural product stores.

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Sales Ideas: - “We made a mistake”

Setup a table or a permanent section in your store for your mistakes, overstocks, and retuned merchandise that cannot be restocked. Your customers will be conditioned to look for bargains and you will liquidate this merchandise quicker than waiting for a sales event

Return sales:

Turn merchandise returns into sales. If you give cash back for return merchandise within X days, then try this. Offer the customer a 10% discount if they buy today. Print a 10% off coupon with a line to write in today’s date. If they use it that day, they receive the 10% discount.

National Retail Federation Show

I attended the National Retail Federation Show in New York the week of January 14th. I attend every year to stay abreast of new technology and current trends. This year’s major takeaway was that in 2008, the focus will be on the customer.

- **Loyal customers spend 35% more in your store**
- **79% of customers will commit to a store after a number of satisfying experiences**
- **31% of customers will tell others about their bad experience**
- **48% of customers when told of a bad experience will avoid that store**

Action plan:

- **Collect customer data**
 - **Reward your best customers**
 - **Develop customized offerings based on the customers purchases**
 - **Develop offers to move the customer into new departments**
 - **When you lose a “best customer” call and find out why.**
 - **Design a monthly email marketing piece with special offers**
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**Required reading for those of you who are serious about retaining your
best customers and acquiring new customers.**

“The Ultimate Question” by Fred Reichheld.

**If you have any questions or comments or need any additional
information, please feel free to call or send me an email.**

**Remember: The goal of your technology investment is to make you a
more productive and profitable retailer.**

**If you are planning to implement a new system, or simply want to get
more productivity out of your existing system, please feel free to call to
discuss our services.**

Dick Calio