

STARTING A RETAIL BUSINESS – RETAIL KEY PERFORMANCE INDICATORS (KPI)

MAXIMISE SALES

Starting a retail business means you're excited. Did you know – by adopting Best Practice Retail Sales Performance Standards you can immediately increase your sales and profit expectations by as much as 30%! Why – because achieving sales objectives is more than just about what's on your shelves and what your store looks like – it's about having a customer focused mentality driven by key performance indicators (KPI) to inform staff at every level about the condition of the playing field. Complicated? Not at all. Retail Sales Performance is just like Sports Coaching. How would sports coaches know how to focus their athletes without statistics? How would racing car managers know how to fine tune their engines and performance – it's all about statistics. When last did you watch a game on TV without them? They tell us about trends, behaviors, opportunities to increase performance, and they forecast the short to medium term future – enabling us to understand why and where we are heading. Statistical measurement of fundamental sales performance drivers for any retailer is a prime need. With all manner of spreadsheets, POS systems reports, Dashboards and Scorecards, we use Key Performance Indicators (KPI) to communicate the strategy of the shareholders to the individuals in the company and we employ feedback systems to report the results. It is common practice to compare what we have forecast with what has actually taken place – statistically – so we can make judgments, changes and plans. It is important to recognise that the standard (senior level) business indicators such as profit margin and wage costs do not drive bottom line sales on the shop floor. You cannot walk up to a Salesperson and say “We did 80% of budgeted sales – please increase your performance.” That's like the manager of a football team saying to a player “We lost the past few games – you have to do better.” To the salesperson or player the information is useless – they cannot see a clear reason for their 'under performance'. What sports coaches do is take the Team Manager's expectations (of winning) and filter them down to each individual player on the team – so each player can win for them (and the team). The coach measures performance of a few highly enlightening KPI's that tells the players exactly in which areas to improve. In soccer it may be recording the “number of times a player touched the ball”, or “number of attempts at goal.” In baseball the coach could track “number of players on 3rd base” or “number of strike outs” etc. It is common practice in retail to employ only five (5) KPI's to track individual performance and deliver the on-target information for coaching purposes – more than five and the reporting system is too complex, confusing, and ambiguous. The five KPI's for retailers are: Sales per hour - a statistic tells us about the speed at which each individual salesperson is selling or attending to customers compared to everyone else on the shift. Average Sale – the average selling price of each individual salesperson compared to everyone else on the shift – higher averages show a greater knowledge of product as the salesperson is able to sell higher ticket items. Low statistics reveal the salesperson lacks skill in either product knowledge or effective probing. Items Per Sale – tells us about the ability of the salesperson to add-on to a sale. Conversion Rate – tracks how many visitors to the store are turned into customers. Wage to Sales Ratio – compares a salesperson's hourly wages to hourly sales. This KPI identifies your clear performers and underperformers – and their value to you. The most common reason retailers do not track the five vital KPI's at a staff (team player) level, is their inability to easily and quickly, record and calculate data, to create meaningful reports. After all, one needs to track hours worked, set goals, track planned versus actual performance, and somehow level the playing field for all Salespeople. It can be a lot of work. In a sports match the playing field is level at all times because everyone is simultaneously on the field. In a retail environment some salespeople will work during fast periods and others during slow periods of the day. A salesperson working during the lunch hours should be expected to sell more than a salesperson working early morning or late afternoon. So any realistic reporting system is going to have to weight individual sales targets – otherwise the data becomes ambiguous. Critical to any Retail Sales Management Solution is the ability to “determine the most deficient statistic of the five KPI's because it is logically understood that improving the worst KPI first will have the greatest increase in sales and staff motivation. Imagine if you had a really simple to use Staff Roster (time and attendance software) that automatically assigned individual, weighted, sales targets to each salesperson, based on when they were working – then integrated with your POS (point of sale) terminal to instantly calculate the five (5) key performance indicators, and figure out the most deficient KPI - on demand! What if that software went further by having integrated sales behavior coaching tips built right into the system? Playing the retail sales game to win means knowing why you are losing and how to go about fixing problem behavior areas. It's easier to improve retail sales skills than it is to re-stock a new product or brand. To win in retail, measure the five principal KPI's using an affordable solution – and put Best Practice in place for your fast track to success. Good luck with your brand new store!