

Space-Insider

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EDITORIAL

Welcome to this month's edition of Space-Insider.

We explore Part 2 of our Business Performance Review series (PROFIT is not a dirty word).

- Part 1 *Strategic Review* May 2012
- Part 2 *Buying and Selling Merchandise* June 2012
- Part 3 *All About the People*
- Part 4 *Managing Operations to Budgets*
- Part 5 *Marketing and Sales Objectives*
- Part 6 *Implementing Change*

We also showcase a new tool within our JR.spacelink Retail Program <http://www.jr.com.au/spacelink/>

The tool allows the user to enter a 'Competitor Price' to compare and analyse the effect it would have on your business if you move prices up or down to compete in the market space.

Feel free to contact me to discuss.

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PART 2 - BUYING AND SELLING MERCHANDISE

Buying merchandise revolves around what your customer is willing to purchase.

The first step in any buying and selling process is to have a plan. Does your buying team (staff) know your budget for the year? Were they involved in the budget setting process?

Budgeting your purchases for the year allows the store to avoid overstocking large quantity of slow moving product, etc - improving cashflow.

Then comes –

- ⇒ Your suppliers who want you to buy product they want to sell you.
- ⇒ Your buyers (i.e. staff) who buy what they think will sell.
- ⇒ Your Brand who will also buy for you to sell what they think will sell.

All of these people/organisations are correct after considering...

The Supplier

- i. Make sure you have a good relationship with your suppliers. The best deals from a supplier are normally given to "their" best customers. This is a list that you want to be on should an opportunity arise to buy product at a good price, at the right time.
- ii. Suppliers are selling to you and into your market through your competitors. Ask your suppliers what other people in your marketplace are doing with the product. They can give advice on what is and isn't working, what trends they have identified and how they or your competitors are changing their product offering.
- iii. Safeguard yourself with contingency plans in case there are supply issues:-
 - a. Identify alternate suppliers and have an ongoing relationship with them
 - b. Introduce a Service Level Agreement
 - c. Identify any strengths and weaknesses of any major suppliers
 - d. Review their performance regularly. Performance is not just price, but delivery and quality of product.
 - e. Periodically test the marketplace for supply price to ensure you are getting a fair market price.

The Store

- iv. When re-stocking the shelves consider the past historical data from your Point of Sale and ask these questions:-
 - a. Did it perform well – does the product data tell you what worked and didn't work?
 - b. Was the stockturn (1) more than your industry's average ?

- c. What was the GMROS (2) on this product/category?
- d. Does that product still appeal to your customers (was it a "fad")?
- e. Was there any feedback recorded by your staff from your customers about the product/category in the past?
- f. What is the best quantity for the store to buy and at what price point – if you know your supplier is having trouble moving the stock – then there is potential for bargain to be negotiated?
- v. How can the store differentiate this product from competitors (locally or on-line) and encourage them to buy from the store - ie what "value add" can you give to the product base that will encourage your customers to buy.
- vi. How will you communicate this product/category to your customers – flyer, on-line, email distribution, catalogue. What is the message you want your customers to receive.
- vii. If you belong to a Group, then consider that each store will be different, what works in one store may not work in another and therefore simply buying stock and splitting it between stores will not always return the desired results.

The Customer

Buying merchandise revolves around what your customer is willing to purchase.

- viii. Customers react to seasons, so your offering has to be appropriate. If there is going to be a long delivery time, will the right condition for the stock sales and marketing promotions, be relevant, e.g. Winter cardigans sold in November would probably not generate many sales. At the same time seasons can be different between years – Did Summer come early or Winter come late?

- ix. Do your staff require any further training to value-add to the sales process and the experience your customer receives for this product/category.
- x. Customers feedback is essential in terms of not repeating the same mistakes again. Reacting and changing to your customers' feedback allows the store to buy appropriately, value-add where you can, and make the offering relevant to your customers.

In summary, your ultimate goal is to :-

- ⇒ Buy product your customers want – customer centric.
- ⇒ Buy product suitable to your store offering
- ⇒ Be responsive to any changes in market trends
- ⇒ Buy at the best price including discounts, allowances, bonus stock, price guarantees.
- ⇒ Buy best quantity levels of order – that suit your business not your suppliers
- ⇒ Inform your customers of the offer and display it well within the store
- ⇒ Measure its' performance



COMPETITOR PRICE COMPARISON REPORT

The example we have given here is for a pharmacy to compare its ethical product offering against other pharmacies. This process can work similar for any retail business.

This report allows the user to compare and analyse the current price of items against a competitor's price. It returns the potential loss in sales for the selected products.

The example report below shows the results of a comparison for Lipitor products in one of our demo pharmacies.

Competitor Price Comparison Report												
Transaction Start Date: 01-Jan-2011												
Transaction End Date: 01-Jan-2013												
PDE	Description	Molecule	Qty	PBSList Price	Current Price	Competitor Price	Potential Loss Per Item	Potential Loss Total	Breakeven Number	Breakeven Percentage	Target Qty	Target Increase/Decrease in Sales
9323820000939	ABILIFY 10MG TAB	Aripiprazole	29	\$132.57	\$152.25	\$151.25	\$1.00	\$29.00	29	101.00%	29	(\$29.00)
9313212103898	LIPITOR 10MG TAB	Atorvastatin Ca	590	\$31.78	\$42.71	\$40.95	\$1.76	\$1,037.87	615	104.00%	615	(\$14.12)
9313212103904	LIPITOR 20MG TAB	Atorvastatin Ca	1107	\$46.89	\$57.87	\$55.77	\$2.10	\$2,330.01	1149	104.00%	1149	\$12.33
9313212103911	LIPITOR 40MG TAB	Atorvastatin Ca	1132	\$66.03	\$78.89	\$76.89	\$2.00	\$2,266.04	1161	103.00%	1161	(\$36.23)
9313212103928	MINAX 50MG TAB	Metoprolol Tart	472	\$58.09	\$62.88	\$61.88	\$1.00	\$470.87	480	102.00%	480	\$24.17

By reviewing these results you can make an informed decision on matching a competitor's price or maintaining your current pricing.

For current users it can be found in the Dispensary Section of the JR.spacelink on-line tool - under Reports > Competitor Pricing Reports.

The same process can be done with Retail. We have included a table of such an experience below.



How Can I Compete? - Summary of JR.pharmacy's recent price comparison exercise:



Product Purchased	Independent Pharmacies				Supermarket	Online Pharmacies	
	Discount Pharmacy	Small Shopping Centre	Strip	Large Shopping Centre	Woolworths	1	2
<u>Voltaren Emulgel</u>	16.99	21.95	24.95	32.30	22.69	18.79	17.99
<u>Listerine 250ml</u>	3.49	5.50	4.89	5.45	3.00	4.69	2.99
<u>Betadine Antiseptic 15ml</u>	6.99	10.50	10.95	11.95	11.49	7.99	7.99
Bundle Total	27.47	37.95	40.79	49.70	37.18	31.47	28.97
Other Products							
<u>EGO Aaium Gel 375ml</u>	4.99	9.50	^	9.65	^	6.00	5.99
<u>Berocca Efferscent Tabs</u>	9.75	^*	16.95	14.90	9.66	^	8.99
<u>Swisse Women Ultimate Multi</u>	14.99	^*	17.95	^	23.99	18.95	24.99
^ Size and Brand - Not Available		* Not offered anything else					

Note that price is not the only determinant of value and in order to differentiate with confidence, market and customer data is required.

For more information, feel free to view our webinar on "**How Can I Compete?**" located at <http://www.jr.com.au/spacelink/>

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