Learn Retailing

Double Your Retail Return

Without Spending an Extra Cent

By Alex Cochran

Learning Retail – Effective GPROSI Management

How to Double Your Return in a Retail Store without Having to Spend an Extra Cent

Introduction

How would you like to generate more profit for your retail business?
Over the next five modules I will show you some of the most powerful levers that you can pull to make your retail business more profitable. None of this is rocket science. Everyone who does this course will gain incites into how to make more money. You can choose to use all of the principals or just some. No matter how many of the principals you use I guarantee that your business will improve.

Retailing is the second oldest business known to man. Some say that it is the first. For an industry with such a history and being so wide spread, you would think that we know it all. Nothing could be further from the truth. The industry that you are in continues to develop each and every day. The permutations, combinations and nuances are endless. Maybe this is why shopping has become the most popular pastime in the western world.

A great analogy is to think of your retail business as a tree. It can grow in many different directions. Its branches can grab the sun, rain and wind. This will make it grow. However to sustain this growth it needs a strong and stable root system. We can't see the roots but we know that they are there. Keeping the root system strong and healthy will ensure that your retail tree will grow and tolerate all weather conditions.

If you apply the principals that you learn over the next five modules on a consistent basis your retail tree will continue to improve month on month. Will it be easy? No. You will need to make some hard decisions. Some of the things you will have to do are counter-intuitive, you may even have to sell some products at a loss. I can hear you now, "How am I going to make money by selling products for a loss". Well I can tell you it is possible and I am going to show you how. So let's get on with the course so you can get back to your retail store and start to make the changes that will make you more money.

Module 1 – Introduction to GPROSI

Retail is a simple business - or so the saying goes. If it is a simple business why do we see retailers going broke every day of the week?

Retail is all about detail. It is the basics that we need to work on every day that the store is open that will make the difference between a successful store and one that fails.

So what are these basics?
There are four fundamental metrics of a retail business.

1. Sales
2. Gross Profit
3. Inventory
4. Expense Control

In this course we will be focusing on the first three of these retail basics.

What is this module about?

In this module we are going to introduce to you the concept of GPROSI.
GPROSI is one of the most powerful tools you will use in your retail business. You will use it every day. You will use it to make decisions that will make your retail business stronger.

So what does the acronym mean?

Gross
Profit
Return
On
Stock
Investment

There is a fundamental secret strategy involving sales, gross profit, and inventory that if you know, will enable you to drive bigger and faster profits from your retail store.

What are the levers?

If you are anything like me, once you start to get a grasp of a new concept you are keen to get back into your store to start to pull some of these new levers. But before you start, you need to do a small "refresher" about some of the terminology I will be using.

Prospects

This is the number of people that come into your store that are possible customers. They are not a customer until they purchase something from your store.

Conversion Rates

The conversion rate is the number of prospects that become customers divided by the total number of prospects that enter your store. So if you get 100 prospects into your store during a day and you make 30 sales for the day your conversion rate is 30%.

$$100 \div 30 = 30\%$$

Customers

A customer is someone who has purchased something from your store. It is important to understand the distinction between a prospect and a customer.

Sales

Sales are the total dollar value of each docket that you process. You can have daily sales, weekly sales, even average docket sales. Sales are probably one of the most popular measures of success used by retail businesses.

Average Items per Docket.

This is the number of different items that you sell to a customer in one discrete transaction.

Average Sale per Docket

If you add up all your dockets sales value for a period and then divide this result by the total number of dockets you get the average sale per docket number.
So if your weekly sales were $14,425 and you processed 170 dockets during that period your average sale per docket is $84.85

$$\$14,425 \div 170 = \$84.85$$

Average Docket Cost

Your average docket cost is the price that you paid for the goods that you sold to your customers (this commonly called Cost of Goods Sold or COGS) during a period divided by the number of dockets that you processed during that period. So if your weekly COGS was $9,232 and you processed 170 dockets during that period your average docket cost is $54.30

$$\$9,232 \div 170 = \$54.30$$

Inventory Value

Inventory value is the value of all of the goods for sale in your store at the cost you paid. Sounds pretty simple doesn't it. Well it's not quite that simple. Inventory value can be calculated in a number of ways. It is really outside the scope of this course to go through the reasons for using a particular calculation. The way that we will calculate inventory value is s follows:

[Opening inventory value + n-periods closing inventory value] $\div$ [n-periods + 1]

While this may look a little daunting, it is not as difficult as it looks. Here is an example of how to calculate the annual inventory value using the above method.

Month	**Opening Inventory**	**Closing Inventory**
Jan	$263,356	$248,296
Feb	$248,296	$275,948
Mar	$275,948	$243,982
Apr	$243,982	$236,892
May	$236,892	$222,456
Jun	$222,456	$215,215
Jul	$215,215	$228,963
Aug	$228,963	$289,963
Sep	$289,963	$292,561
Oct	$292,561	$295,874
Nov	$295,874	$302,478
Dec	$302,478	$225,581
Total		**$3,078,209**

$$(\$263{,}356 + \$3{,}078{,}209) \div (12 + 1) = \$257{,}043$$

$257,043 is the average inventory value using this calculation.

So, how does all of this tie together?

Let’s Develop a Model.

The easiest way to understand how all of the above factors influence your retail business is to draw a diagram that shows how the relationships work.

We are going to use “Speedz Cycles” as our demonstration retailer. Speedz Cycles is an independent pushbike dealer that has been located in a metropolitan area of a major city for more than 10 years. It has been owned for the last five years by Jerry Peterson. The following GPROSI scorecard is based on the 2004 trading year for Speedz Cycles.
In the diagram I have included Jerry’s numbers so that you can see how the calculation works.

So using the above diagram we can see how we arrived at a GPROSI score of 123.92.

But what does it mean?

I always like to think of GPROSI like an interest rate that I get from the bank. Instead of investing dollars in my bank account to earn an interest rate, I am investing dollars in my retail business (by buying stock to sell) to earn a profit.

So a GPROSI score of 123.92 means that for every dollar I am investing in the above retail business I am getting $1.24 back over the 12 month period. That is equivalent to an interest rate of 123.92%. – So the higher the GPROSI score the better our returns will be.

Whoa now – before you go out an order that Porsche remember we are calculating a **GROSS** return here. You have to pay all of your expenses out of this. But if you are diligent and apply some of the concepts that you will learn over the next few modules there should be enough left over for a decent living.

Now that we have a way to score the actions we take in our store we can change some of those actions to see if we can improve that score.

What have we learnt in this module?

- ☑ Retailing is about details – it's the little things that count.
- ☑ There are four fundamental metrics
  - Sales
  - Gross Profit
  - Inventory
  - Expense Control
- ☑ GPROSI is one of the most powerful tools you can use in your business.
- ☑ GPROSI links three of the most important four metrics to give you a scorecard.
- ☑ Now we have a scoring method we can change actions to increase the score.
- ☑ The higher the GPROSI score the better your returns will be.

What's next?

In the next module I will go into detail about how you can start to pull some levers that relate to Inventory. You will learn 8 simple steps that are going to positively impact on your inventory value.

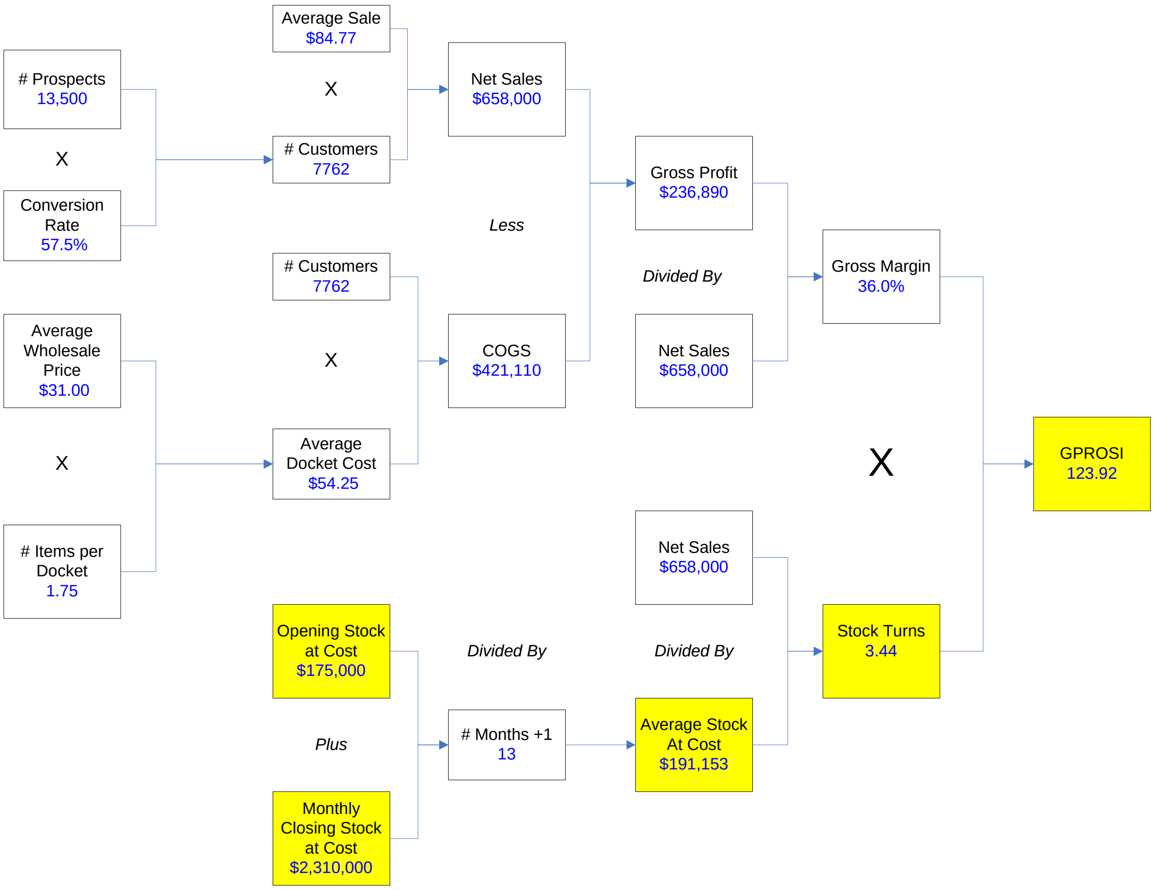
Module 2 – Inventory

What is this module about?

In this module I am going to show you the impact that changes in inventory values have on your GPROSI score. You will learn 8 easy steps, you can take to positively impact your inventory and ultimately make you more money.

Our GPROSI Model

Here is the GPROSI model for Speedz Cycles that we developed back in module one. This time however I have highlighted the variables that relate to inventory. These are the only variables that I will be discussing in this module.



What are the drivers?

You can see by the model that the drivers that you can affect are your opening stock and monthly closing stock values. If you reduce either of these numbers your average stock will fall and if your sales remain the same your stock turns will increase. If your stock turns increase and your gross margin remains the same your GPROSI score will increase – This is a good thing.

Conversely, if your opening and monthly closing stock values increase and your sales and margin remain the same then your GPROSI score will decrease – This is a bad thing.

Let's pull some levers.

So let's look at some of the things that you can do to reduce your stock levels without necessarily having any impacts on your sales or margins.

- Review your products and see if you have duplications within your range. These could be duplications of product type, customer solution, or even price point. If you eliminate unnecessary duplication you will ultimately reduce your closing inventories. So identify those duplications, cull them from your range and don't order them again.

- Search for low or even no sellers within your range. Highlight them to both your prospects and to your team. Put a ticket on them and expose them to the "danger of sale". You could even go as far as reducing the selling price (if you do, make sure you highlight to your prospects the value of the saving.) or paying your team a bonus if they sell these products. Even if you sell these products at a loss, you will generate cash to invest in new better selling stock and you will ultimately increase your sales.

- If you run a fashion store, review the sizes and colours that you sell in assortments. Rationalize these within your range. When new season merchandise is available, restrict your purchasing to the sizes and the colours that you know sell within your store. It might be better for you to pay a bit more and buy in broken size or colour ranges.

- Review your brand coverage. Do your prospects expect to see every brand available? Or does this just make their decision making process more complicated. Remember if you make the buying process complex you drastically increase the potential for a customer to postpone a purchase. Often less is more. Adopting a good – better – best branding philosophy will ensure that you have a wide enough range while also presenting a differentiated offer. Cull out those brands that are not meaningful to your prospects or add nothing to your range.

- Review your price points. Duplicated price points for similar products not only make a buying decision more difficult for your prospect, it also makes the selling job harder for your team. You can eliminate duplicated price points by either culling the product from your range or moving the price of the product either up or down to the next meaningful price point for your prospects.

- Identify constant good sellers within your range. Make sure that your team knows that these are the best sellers. (A red dot on the shelf or a shirt pocket prompt card works really well.) Also let your prospects know that these are the best sellers. The term "Best Seller" is just like a word of mouth endorsement. It gives your prospects the confidence to buy. Make sure that you never run out of stock of best sellers.

- Review your products seasonality. Before the end of a selling season, take action to clear your inventory. You need to avoid carry-over stocks at all costs. Next season there will be new ranges, different styles and colours. Not only will you pay for carrying this inventory during the low season, more than likely you will have to take a significant markdown at the start of the next season.

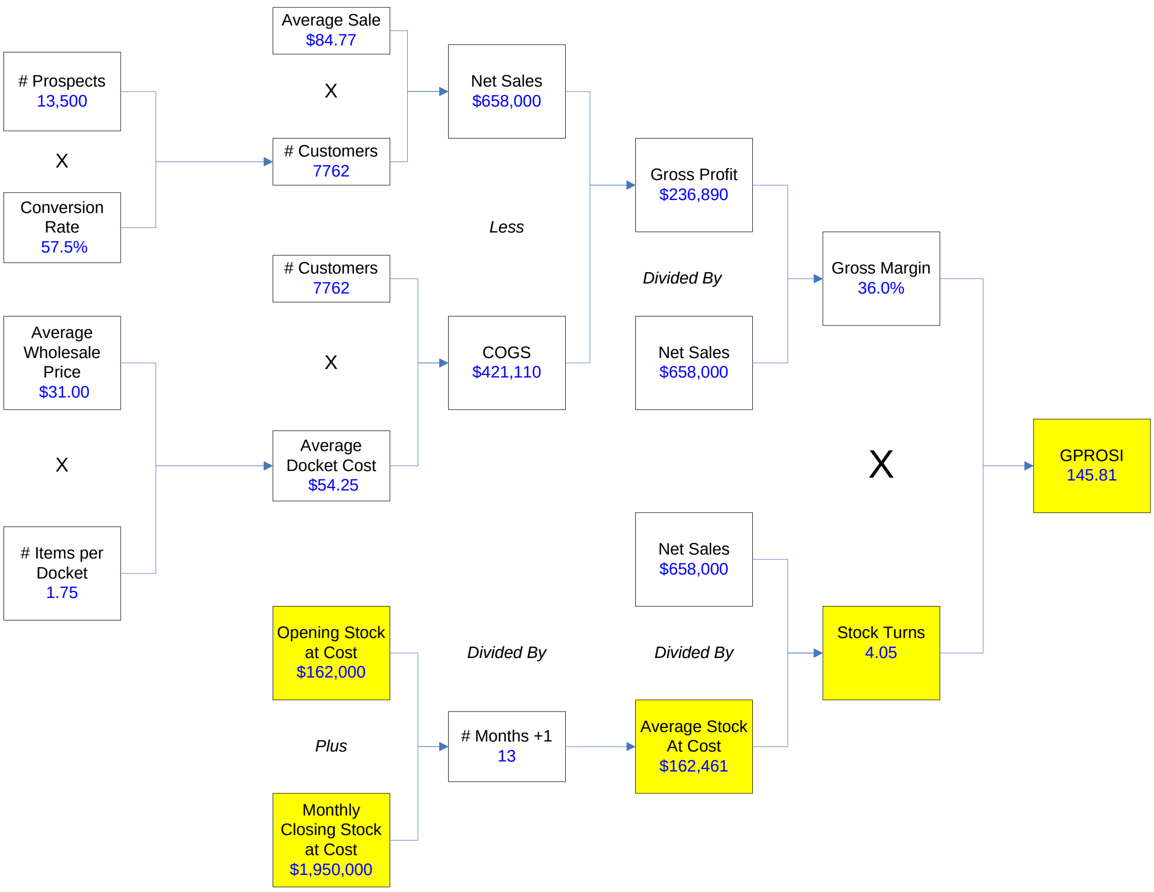
- Increase the frequency that you order. Instead of ordering monthly, order weekly or even twice-weekly. You will need to take into account any increased freight charges, but there are big pay offs in a decreased inventory investment, these include, decreased potential for markdowns and presenting new ranges or products faster. Speed to market is a key competitive advantage.

Speedz Cycles – Inventory Control

Let's drop in on Jerry at Speedz Cycles and see what actions he took during 2005.

1. Jerry identified his old slow selling bikes and made sure that they were displayed at the front of the store. He marked the bikes down by $50 and made sure that there was a was/now – save ticket on each. He started with the oldest bikes first then replaced each of these as it was sold by the next oldest. He also gave any of his team who sold one of these bikes a $20 bonus.
2. Jerry reviewed his cycle parts range and too his horror he found that over the years his range of pedals had grown to 8 different styles and brands. He was able to rationalize this and a number of other cycle parts substantially. He focused on 2 suppliers and was even able to negotiate a better price from these suppliers as there business grew during the year.
3. Christmas is the best season for selling cycles. In 2004 Jerry had completed and received all of his Christmas purchases by the end of September. He needed to lease a small local warehouse to store this stock as it would not all fit within his store. He did get a bulk buy discount. In 2005 Jerry still made his commitments with his major suppliers during the month of August, he did however specify deliveries and invoices every two weeks during September and October and weekly during November and December.
4. Jerry highlighted his top 10 sellers in the store with a "Speedz Cycles Top 10" sales ticket.

Here is a reworked GPROSI scorecard that reflects the results of the actions that Speedz Cycles took on inventory.



You can see that taking this action on inventory has increased his GPROSI score from 123.92 to 145.81. This is a 17% improvement on his GPROSI. This was achieved by reducing his opening stock by $13,000 and reducing his monthly closing inventories on average by $30,000.

What have we learnt in this module?

☑ The drivers are opening and closing inventory values.

☑ There are at least eight practices you can employ to reduce your inventory value.

Eliminate range duplication
Reduce the number of slow sellers
Rationalize size and colour assortments
Review brand coverage
Adopt good – better – best strategy
Eliminate duplicated or too close price points
Identify and highlight your best sellers
Forecast and buy to the season
Increase the frequency of your orders

☑ Small movements in inventory value can trigger larger GPROSI scores

What's next?

In the next module we I go into detail about how you can start to pull some of those levers that relate to Profit Margin. You will learn 7 simple steps that are going to increase your gross profit, which anyone can employ.

Module 3 – Gross Profit

What is this module about?

In this module I will show you how gross profit affects GPROSI and some of the practical steps that you can take using gross profit related actions to improve your GPROSI scorecard. First let's recap by reviewing Jerry from Speedz Cycles GPROSI model.

Our GPROSI Model

Remember the details of Speedz Cycles model from module two about inventory?
Well here it is again, but this time I have highlighted all of the aspects of the model that affect your gross profit.

What are the drivers?

You can see from the model the drivers for gross profit are really average product cost and the average product retail price. All of the other highlighted boxes are outcomes from these two variables.

So reducing the average prices you pay for products and increasing the average price you sell your products (while keeping our customer numbers constant) will result in an increased GPROSI score – this is a good thing.

But increasing the average prices you pay for products and decreasing the average price you sell your products (while keeping your customer numbers constant) will result in a decreased GPROSI score – this is a bad thing.

Let's pull some levers.

So let's look at some of the things that you can do to change the prices that you pay or sell your products. In module two about inventory I showed you a lever you could use that influenced price points. It was a "bonus" lever because not only did it reduce your inventory, it had the potential to increase your selling prices, so let's start with that.

- Review your price points. Duplicated price points for similar products not only make a buying decision more difficult for your prospect, it also makes the selling job harder for your team. You can eliminate duplicated price points by either culling the product from your range or moving the price of the product to the next meaningful price point for your prospects.

- You can also identify products in your product range that are not likely to be price sensitive. These products will be things that a customer does not buy on a regular basis , products that may be exclusive to your store and not readily available in your local area and products that are not a major purchase for your customer. You can more than likely move the selling price of these products up to the next logical price point without your customer ever knowing.

- Here is one of those "counter-intuitive" levers. Identify products within your range that are consumable or communicable and make sure you have the most competitive price in your market. This will probably mean lowering your retail price.

  So what is communicable?
  There will be certain products within your range that as retailers we tag "communicable". Here is an example - If you are in the baby market, disposable nappies are communicable. Because a new baby family buys disposable nappies on a regular basis, they are very, very familiar with the "street price" for this product.
  If you try and sell a communicable product above the "street price" your customer will assume that not only are you not competitive on that product, but you are probably not competitive on all the products in your store.
  I know that this is not fair, but it is a fact.

  If your store is very competitive on consumable and communicable products, prospects will get to know and come to your store more often. Once they are in your store if your retail sales techniques are good (more about this in module 4) the potential to increase the average docket selling price climbs.

- Identify over valued or redundant goods in your range. Highlight these products to your prospects and team. Cut the price on these products to encourage a quick sale and use the money from these sales to buy products with a greater potential for sale. This will result in a short term margin decrease but a long term average retail price increase.

- Start to rationalize the number of suppliers you deal with. If you spread your business over fewer supplier partners you will become more meaningful to each of them. A bonus is that you will also reduce your expenses by not having to reconcile as many invoices or make as many payments each month. Explain to your retained supplier partners what you are doing and ask them for a better deal because your actions are going to make their business grow. You can even ask them for some assistance in clearing the deleted suppliers stock so that you can place an order with them quicker.

- Review your freight arrangements. Maybe it is better to pay a freight inclusive price for products, rather than a plus freight price. Negotiate downwards minimum order quantities with your suppliers. It may even be viable to deal directly with a freight company yourself and have your orders delivered by all suppliers directly to the freight depot, consolidated by the freight company and then delivered to your store.

- Always ask your suppliers if they have any special promotions or stocks they want to clear. At least every six months review your business with a supplier and ask them for a better deal.

Speedz Cycles – Gross Profit Management

Let's check back with Jerry at Speedz Cycles. In module 2, Jerry took some actions based on his inventory investment that increased his GPROSI scorecard from 123.92 to 145.81. Here are the actions that Jerry has taken to increase his gross profit.

1. In the bike business inner tubes, vulcanizing repair kits and valves are considered to be the most communicable lines. Jerry visited the competitor stores in his area and checked out their range and price of these products. He then went online and checked out the prices offered by internet competitors. He realized that not only was he slightly over priced but there were a few size gaps in his range. He contacted his main bicycle parts supplier, sourced the missing products and asked them to help him put together a "tire & wheel clinic" promotion for next month.
2. On his competitive store visit Jerry realized that he was the only store in the district that was selling a comprehensive range of cycle seats. He went back to his store and looked at the retail price spread. He found that he had four seats at the $59 price point then the next highest price was $129. He chose the best featured seat priced at $59 and changed the price to $89. During the next month he did this across a number of his ranges. When he did change a price he made sure he produced a sale ticket for the item (at the new increased price) which highlighted the products features and how the customer would benefit by purchasing this item.
3. Every three months Jerry made an appointment with his top 3 suppliers. He reviewed the last quarter results with his supplier representative, and together they set some goals for the next 3 months. During the meeting Jerry made a point of asking whether the supplier had any current or future promotional deals on his books. If business was down on forecast he would ask whether there was anything the supplier could contribute to help turn the situation around. If business was up he would ask if together they could set some targets for the next quarter that were achievable and if the targets were met he could be rewarded with a bigger discount for the following quarter, or a rebate on his business to date.

Here is a reworked GPROSI scorecard that reflects the results of the actions that Jerry from Speedz Cycles took on gross profit.

So you can see in the above model the actions that Jerry took decreased his average wholesale price by $1 and moved his average sale up by $4.73. The amount of stock he had invested in the business did not change but his GPROSI score moved from 145.81 to 176.60. Sometimes little things mean a lot.

What have we learnt in this module?

- ☑ The drivers are average buying price and average selling price.
- ☑ Because average selling price affects net sales it has a changes to this have a multiplier effect.
- ☑ Price points are important – make sure you have an even spread.
- ☑ Communicable products must be priced to the market or ideally better.
- ☑ Markdown and clear no or slow selling merchandise – invest the proceeds in stock with a higher potential of sale.
- ☑ Rationalize your partners – mean more to fewer.
- ☑ Review your freight arrangements.
- ☑ Always, always, always ask for a better deal – never give without potentially getting something in return.

What's next?

In the next module I will look in detail at how sales affect your GPROSI scorecard. Will changes in sales affect our GPROSI scorecard by a little or a lot?
You will learn seven of the most powerful levers that you can pull to get that GPROSI score soaring.

Module 4 – Sales

What is this module about?

In this module we will look at the way sales affect our GPROSI scorecard. We will look at what practical actions you can take to improve your GPROSI score.

Our GPROSI Model

Remember the details of Speedz Cycles model from module three about gross profit? Well here it is again, but this time I have highlighted all of the aspects of the model that affect sales. I'll bet that you notice one thing straight up. There are a lot more boxes highlighted this time around. In fact almost 75% of the model is "lit up". What this means is that changes in sales are more than likely going to have a significant effect on your GPROSI score.

What are the drivers?

We can see that the variables that drive your sales are the number of prospects that come into your store, how many of these prospects that you convert to customers, how many items that they buy and the average sale of those items. All of the other highlighted boxes are a consequence of these variables.

So if you increase the number of prospects that visit your store and maintain your conversion rate and average sale your GPROSI will increase. Likewise if you increase your conversion rate or your average sale and maintain the other ratios, your GPROSI will increase – these are good things.

So let's have a look at the type of actions that we can take to affect these drivers.

Let's pull some levers.

So let's look at some of the things that you can do to change the number of prospects entering your store, how many of these prospects you turn into customers or increase the number of products that they buy on that shopping trip.

- If you want to increase your conversion rate you must first understand where you are at the moment. Installing a door counter is a great investment. Once you have installed a door counter you will have a good idea of how many prospects enter your store each day. From there you can calculate your conversion rate.
- Take a walk outside your store. Put on your customers shoes. What do you see? Is there something that grabs your attention? Is there a call to action? How long has it been since you changed the "face" of your store?
  The windows or the first 2 metres of your store entrance play an incredibly powerful role in determining how many prospects choose to enter your store. This area is sometimes referred to as the "landing zone". Your best deals should always be presented in the "landing zone." In addition the "landing zone" should change regularly.
- What are the focal points inside your store? Are there product displays that are designed to attract attention? Do they have a definitive call to action? Do these displays clearly communicate to your prospects, "What's in it for me"?
- Does your store look like it is "in the business"? There is nothing worse that going into a store that looks like it is on its last legs. How many times have you avoided an unknown restaurant because there were few people dining in it at the time? Make facing up the store part of the first hour – last hour ritual for your team. Stock (or the illusion of stock) sells stock.
- You have an obligation to serve your customers well. Don't be bashful about employing up sell, add-on sell and cross sell techniques. Your customers will become "raving fans" when they feel that your service has really met their needs. Generating raving fans is probably the most effective way to increase your sales and profile.
- How many times have you walked into a store and the sales people are "not engaged". Sometimes you would think that there is a game of creative avoidance happening. Once a prospect has entered your store, acknowledgement should happen within one or two minutes. Meet the customer eye to eye introduce yourself and start to try and verify their intentions. Asking open ended questions is a great way to probe their needs. The more you know about the customer's requirements the higher the probability that you will be able to suggest a solution to their needs.
- When was the last time you mounted a promotion? It does not have to be a sale, it could be a customer clinic, meet the maker day, or just the plain old sausage sizzle. Doing something different is bound to attract attention.

There are hundreds of "sales levers" that you can pull to increase the sales of your store. These are but a select few.

Speedz Cycles – Sales Management

Let's check back with Jerry at Speedz Cycles. In module three, Jerry took some actions based on his gross profit that increased his GPROSI scorecard from 145.8 to 176.6. Here are the actions that Jerry has taken to increase his sales value.

1. After Jerry had reviewed his price points he had a meeting with his team. He explained that he had now repositioned price points throughout the range so that there was a logical progression. This would make the art of up selling easier. He also had three breakfast meetings with his team to discuss the finer points of the cross sell and the add-on sale.
2. The front window of Speedz Cycles had not changed for more than a year. Together Jerry and the team came up with the "cycle of the month" program. Each member of the team had to choose one of the bikes in the store, learn all about the features and benefits and then present them to the other team members at a breakfast meeting. This bike would then be positioned in the front window with a professionally printed sale ticket that promoted both the bikes features and the benefits that this bought the customer.
3. "Don't forget your tool kit." – these were the last words that each team member was requested to ask each bike buying customer before they paid. Tool kits sold for $69 and the profit margin on these was quite high. In addition each team member was paid a $5 bonus for every tool kit add-on sale they made.
4. The Speedz Cycles team put their heads together to come up with a promotion. After an afternoons brainstorming they came up with the SS Clinic. (Second Saturday) On the second Saturday of each month the store would run a cycle clinic. Each month the focus would be on a different aspect of cycling, brakes, tyres, safety, security etc etc. They would put on a sausage sizzle and invite prospects to visit the store with their bikes for a basic inspection and recommendation. Jerry approached the local paper who agreed that if he wrote a monthly article they would give him some advertising space free of charge to promote the event.

So you can see in the above model the actions that Jerry and the team took increased prospect count to 14,500 his conversion rate to 59.5% his average sale price to $106. The amount of stock he had invested in the business did not change but his GPROSI score moved from 176.60 to a whopping 252.17.

What have we learnt in this module?

- ☑ Changing sales will have a big affect on the GPROSI score because of the "flow through" effect.
- ☑ Conversion of prospects to customers and the average sale value are the two biggest drivers of incremental sales.
- ☑ There are parts of your store that are more important than others. The windows and the front 2-3 metres are considered the landing zone.
- ☑ Change is good; give your prospects a reason to come into your store frequently. Then you can work on your conversion rate.
- ☑ Acknowledge your prospects and probe their needs using open ended questions. The more you know, the higher the probability of providing a solution.
- ☑ Turn your prospects into raving fans by meeting their needs well. Sell the whole solution, your customers will thank you.

What's next?

In the fifth and final module I will do a high level review of what you have learnt to date.
I will compare the final GPROSI score for Speedz Cycles to where it started.
This will enable you to prioritize the actions you can take to exponentially increase your GPROSI score and therefore your returns.

Module 5 – Pulling it all together.

In module one I introduced you to the incredibly powerful concept of GPROSI. GPROSI monitoring is the secret strategy that you can use to double your retail returns without necessarily having to spend an extra cent.

GPROSI is an acronym that ties three of the four retail basics together.

Gross
Profit
Return
On
Stock
Investment

I introduced you to Jerry and his pushbike business, Speedz Cycles. In 2004 the Speedz Cycles GPROSI score was 123.92. This meant that for every $1 Jerry invested in stock for Speedz Cycles he received $1.24 back over 12 months.

After implementing actions explained in this guide Jerry moved the Speedz Cycles GPROSI score to 252.17. This is a 103% increase in returns. So now for every $1 Jerry invests in stock for Speedz Cycles he receives $2.53 back over 12 months. And what's more his investment in stock has actually decreased so his borrowings have reduced. He did all of this without any significant increases in expenses.

So if you want to increase your GPROSI score where do you start?

Understanding – this is your key.
Measurement – this is your starting point.
Action – this is your journey.
Re-Measurement – this is your feedback.
Reaction – this keeps you on course.
Re-Measurement – this gets you to your goal.

Where Speedz Cycles Started.

This was the GPROSI scorecard for Speedz Cycles in 2004.

During 2005 Jerry took a balanced approach and reviewed various aspects of how he operated Speedz Cycles.

The largest impacts he made came from changes that were made that flowed through to increased sales. These changes involved:

- Increasing the sales ability of the team.
- Serving the customers with complete solutions.
- Making Speedz Cycles a more compelling store to visit.
- Raising the profile of Speedz Cycles in the community.
- Reducing the level of out of stocks on top selling products.
- Exposing more products to the danger of sale.
- Promoting products in a customers “What’s in it for me” context.

Impacts that he made that flowed through to increased gross profit had the second largest impact on his GPROSI score. These changes involved:

- Changing the mix of the average sale to yield a higher gross profit margin rate.
- Reviewing the retail price points of his range.
- Working with his supplier partners to increase their sales and reduce his buying prices.

While the impacts that Jerry made on the Speedz Cycles inventory investment yielded the lowest increase in GPROSI score they reduced the average investment by close to $30,000. These funds were used to pay down debt. The saving in interest payments were used to fund the other GPROSI improvement initiatives. The inventory investment changes involved:

- Reducing the incidence of duplication.
- Clearing slow moving products.
- Forecasting your buying.
- Investing more in top selling products.
- Increasing the frequency of ordering.

Where Speedz Cycles Finished.

This was the GPROSI scorecard for Speedz Cycles at the end of 2005.

Understanding the relationship between sales, gross profit and stock investment is a fundamental retailing skill. The majority of decisions that a retailer makes on a daily basis will have some impact on one of these variables. It then follows that you will either positively or negatively affect your returns.

GPROSI is a tool to use to ensure you make positive yielding decisions more often.

About the Author

Alex Cochran is an award winning retailer. He has spent the last 30 years working for "Big Retail". His passion is looking after the customer while running an efficient and effective retail store. You can find out more by visiting www.alexcochran.com.au

Contact Alex by email at alex@themarketersmechanic.com.