



Do you REALLY know which products are your winners?

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Knowing your winners can be the difference between being a high profit store with great cash flow and going out of business. Years of research has proven that 80% of your gross margin dollars come from your winners.

Therefore, it is vital that you know exactly what they are, so that you can take care of them properly.



So, ask yourself, "Do I know which products are my winners?" Store owners and managers almost always answer me with a resounding "Yes, of course". However, in my experience visiting hundred's of retail operations, I believe that this is true less than 10% of the time. It's not that these people are lying – it's that they are under the incorrect assumption that they really know or someone else knows. My reasoning is this:

First, it is impossible for a human being to remember everything. Sure, most people can remember the very best of their best items. These items are your RED-HOT number 1's and sell frequently. However, number 1's only make up a small percent of your winners – 20% in fact. The rest of your winners come from your 2's and 3's. And, this is where many companies lose sales and profit. Bottom line, a human cannot perpetually remember the correct status of thousands of items that each have different life cycles.

Second, most managers don't analyze properly. Many never analyze at all and it shows in their results. PROFIT *professional* is a hugely powerful inventory management system that, when utilized properly, has significant impacts on profitability. Best sellers are identified by running Sales Analysis in detail for a particular time period. Run a category or vendor report on written sales and rank it by volume with a value of greater than \$100. On the report, look for your 1's, 2's, and 3's. Knowing how to do this is a start. However, you must understand a few other important factors to be sure you are looking at good data. Make sure you have recently run Calculate Ranking based on written sales, as this actually applies the ranking number to the item within its respective category. Make sure you don't have unnecessary items in the system; these will cause a diluting of the information and lesser items may show as winners. You should purge unused items at scheduled times. In fact, I am a proponent of maintaining an item file that contains only your current line-up of merchandise and special order items. Also, consider redefining your special order items to one or more special order categories so that those items rank separately. These steps will give you the best data to identify your winners!

Third, most managers don't analyze periodically. Running Sales Analysis without routine is akin to checking your stock portfolio infrequently. You will get burned and lose money, as you are unaware of changes in status, since items all have different life cycles. You need to keep on top of inventory attrition and know when a best seller



becomes a dog or when an item becomes a best seller. You or your merchandise manager must evaluate your winning line-up properly at least once per month. I have seen companies that are so bad at this that they spend more time ordering toilet paper. Don't be one of them! Truly know your winners and then take the appropriate actions to get the most sales and profit from them.

For more information, contact me at info@profitconsulting.net.