



5 Ps of Retail Success

Proven tactics to apply in every area:

Product + Placement + Price + People + Promotion

How have you positioned your store – filling a niche, serving a broad audience, or specializing in something in particular? Make sure you are creating the shopping experience that fits your brand, your shoppers, and your community. With the information and ideas in this pamphlet, you can refine your **product** assortment, **placement** strategies, **pricing** objectives, and **personnel** training to align with the image you want to convey. Then **promote** your offerings to current and future customers. These elements combined will help you reach your store goals and achieve retail success.

1 PRODUCT

Bottom line: Effectively managing shelf stock will positively impacts sales.

Inventory management ensures customers are not disappointed by out-of-stock situations and promotes maximum sales opportunities. Out-of-stocks are an ongoing problem with most retailers (8.3% on average and 10% or higher on fastest-moving items) and cost a typical retailer about 4% of their net sales.¹

There are dangers of poor inventory management.

- If disappointed more than once, the majority of shoppers will not return.
- 46% of consumers would postpone their purchase or buy the product elsewhere when the item is out of stock.²
- Out-of-stock occurrences on promoted items are frustrating to customers.

Private label products are profitable – typically representing 10-25% of an independent pharmacy's front-end sales – and should be offered as an alternative to national brands.

- Use compare and save signs to create visibility.
- Promote private label products on endcaps.
- Place private label items to the right of national brand equivalents.

What You Can Do

Manage your inventory to maximize private label alternatives and eliminate out-of-stocks. Planograms go out of compliance at the rate of 10% every week.³ Regularly check inventory in the front-end and stay ahead of customer demand.

2 PLACEMENT

Bottom line: Active category management can produce a 10% boost in sales, a 3% increase in profit margin, and a 15% reduction in inventory.⁴

Consumers spend a mere six seconds to find a preferred brand at shelf.⁵ Refining category offerings and reallocating category space can substantially increase profitability. A methodical store layout presents a clear, visual statement, creates four-corner-penetration traffic flow, and should include:

- departments sized to meet customer satisfaction goals;
- proper department adjacencies; and
- displays and signs.

About 20% of shoppers purchase a checkout item on any given day.⁶ Checkout displays increase impulse sales and should:

- include high-volume and new items;
- promote impulse-oriented and high-margin items; and
- create excitement with high consumables.

What You Can Do

Don't overlook the tried-and-true principles of merchandising and how they can positively impact your front-of-store sales. 100% reset compliance can mean a sales lift of 7.8% and a profit improvement of 8.1 within two weeks.⁷

3 PRICE

Bottom Line: Price is one of the biggest factors affecting your store's bottom line. Small variations in price can raise or lower profitability as much as 20 to 50%.⁸ In fact, a 1% improvement (increase) in price can yield an 11% improvement in profit.⁹

Your pricing strategy should support your image and be consistent across departments.

- Establish pricing parity (i.e., Advil® 24 caplets, vs. 50 caplets).
- Develop line pricing (i.e., Tums® Extra 96 tablets assorted and Tums Extra 96 tablets tropical).
- Determine family pricing (i.e., PEPCID® AC® 30 tablets and Maximum Strength PEPCID® AC® 25 tablets).
- Implement rounding methodology (e.g. round prices to 3s or 9s).

Execute price changes in a timely fashion and review your strategy on a regular basis. Pay special attention to your most competitive and best-selling items. Consider your customers and the competition to decide if price adjustments are needed to align with your image.

Capitalize on your private label products which have higher retail margins and can yield higher penny profits. Gross margins of key HBW categories in retail drug are typically between 40 to 60%, often over 30% higher than brand gross margins.

What You Can Do

Establishing an effective retail pricing strategy should drive profits and protect your image. Balance your front-end product pricing to remain competitive and match your store branding and positioning.

4 PEOPLE

Bottom line: The right team will boost morale, increase productivity, enhance customer satisfaction, and keep patients coming back.

Use your staffs' talents to propel the success of your store.

- Position those with the best customer service skills out front.
- Ask your team for suggestions to improve your business.
- Empower staff by assigning captains – either by department or category.

Formalize management strategies.

- Streamline your hiring process and standardize procedures for accepting applications and interviews.
- Create an employee handbook.
- Conduct formal and informal staff meetings.
- Offer incentives.

Encourage your staff to always be friendly and helpful. Nearly 75% of customers love a store brand because of friendly service.¹⁰

What You Can Do

Continuously train your employees with clear expectations – they are your pharmacy's best asset. Price is not the main reason for customer churn, it is actually due to the overall poor quality of customer service.¹¹

5 PROMOTION

Bottom line: Make the most of each customer visit. Seventy-six percent of shoppers make buying decisions after entering the store.¹²

Thirty percent of consumers will make an additional purchase when offered an item that complements what they've already decided to buy.¹³

Product sales can increase up to 65% with shelf talkers. P-O-P displays can be very effective, increasing sales by as much as 65%.¹⁴

More shoppers (32%) rated in-store signage as "very effective," when compared to out-of-store advertising (27%) in raising product awareness and communicating benefits.¹⁵ Use window or door signs to draw customers into your store. Signs build customer loyalty and store identity, and the following types should be considered:

- new items
- everyday price point
- specials and savings
- compare and save
- educational

What You Can Do

Use in-store signs and displays to promote solutions to customers while they are already in your store.

For more ideas, tips, and insights, visit www.hamacher.com/retailers to find resources such as our Profit Variables calculator and "99 Ways to Make a Positive Difference in Your Pharmacy" blog series, or feel free to call us at **800.888.0889**.

Hamacher Resource Group, Inc. (HRG) is the leading partner in category management, business strategy, and marketing services focused on consumer healthcare at retail.

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