

Most accounting departments report on history and do not look into the future. Protecting the company's assets means protecting their margins too. There are many simple tools that can be used to be sure that you are optimizing your margins.

- 1. Obtain a periodic competitive price check.** This price check can be internally accomplished or done through a third party service.
  - a.** Typically pricing is set to achieve certain margin levels while creating a customer perception of your store's pricing. While the margin portion is important, so is your customer perception of your prices. By running a competitive price check, you are able to determine if you are who you believe you are in the market place. Most customers identify with a select group of products, because these products are purchased on a regular basis. These are the top movers and need to be price competitive if your goal is to be perceived as such. The balance of the items may be "priced up" in order to achieve additional gross profit dollars.
  - b.** Competitive price checks may not be of importance if your stores objectives are high service in an upscale environment. In these cases, price is often set to cover and exceed costs associated with a "high end" environment.
  
- 2. Lay out your current costs and retails, are you reaching your category margins?**

If you are pricing below a 45% you will never get a 45%.

  - a.** Start with your perishable departments. They have the fewest items and most volatile cost structure. When looking at perishable pricing, remember what your true "cut out" (salable portion of the product) is. Take this into account with the pricing.
  - b.** List your costs in one column, retails in the second column, and average weekly cases moved. Take the gross profit and weight it by the percentage of cases in total. Do you achieve your gross margin after your estimated shrink percentage is removed?
  - c.** After adjusting your pricing, remember to review item number 1 and be sure you are competitive, especially on the items customers identify with.
  
- 3. Perform test scans on your store, are your shelf tags current?**
  - a.** It is important that your prices change and in a timely fashion. This protects you against cost changes and more importantly customer mistrust because of items scanning at a different price than the shelf tags.
  - b.** Set a schedule by aisle in your stores. Have those isles test scanned and logged. When visiting your stores, request to see the test scan reports. Look for improving trends in the number of errors found.

#### **4. Are you optimizing private label products?**

See article on Retail Pricing and Margins.

#### **5. Are you optimizing your store end caps?**

- a. Store end caps can serve two great purposes. One is to provide ample space and display for your ad merchandise. The second is to provide an income generator for space for many DSD companies. However, there is a third use that not all retailers take advantage of, margin optimization. Take advantage of high margin private label products and products at regular retail that compliment your ad items.
  - i. Private label if priced properly can be marked down into multiple sales of 3/5 etc. These can be used to get strong margins from consumers.
  - ii. Complimentary products: Many ad items require additional ingredients and may be placed with these regularly priced items at a regular gross margin. This will help offset your lower gross sale merchandise.

#### **6. Are your margins wrong because product is received in one department and sold and scanned in another?**

- a. Review your DSD system files to insure that items are scanned and charged to the proper department.
- b. Review your wholesaler bill to be sure product is billed to the proper department.
- c. Review scanning data to insure sales are credited to the appropriate department.

#### **7. Are you accounting for any special deals vs. competitor pricing?**

If you bank the allowance check and the competitor passes it through—you may look like the high priced store in the market.

#### **8. Ways to create a low price image:**

Select a hand full of items around the perimeter of the store. “Low ball” the retail pricing, do not put old new price save, instead store x our price you save.  
Warning: be prepared for a potential price fight with your competitor.