

### ***“Make more money”***

#### **Client Profile**

Category:	Small Business Consulting
Industry:	Retail
Age of business at start:	10+ years
Stage of lifecycle:	Growth → Expansion
Assignment length:	5 years ongoing
Enterprise summary:	20+ employees, 350 sq m of retail, 1 owner family business

This was a coaching client of ours who wanted to build a nest-egg for retirement. Obviously a key requirement of this brief was to make the business as profitable as possible.

As a retail enterprise, the revenue model was essentially:

#### **Number of transactions *multiplied by* Average transaction value**

Profitability was then a function of:

#### **Revenue *minus* Costs**

Our consulting approach is always to look at the easiest solution first. In this business, people traffic through the store was good and the number of transactions was also good. So, we decided to look at the average transaction value and particularly at the costs.

It quickly became clear that profitability varied widely on products in-store, with some generating margins of less than 5% and others more than 50%. Coupled with this, the amount of floor space allocated to products did not reflect their profit contribution to the business: basically, too much space was allocated to products that weren't making much money.

First we helped the owner develop a model for space allocation relative to profit margin, so that the floor space of the store was put to best use. This included the location of the products, as well as how much space they occupied.

Next, we helped to develop an in-store marketing programme to highlight higher margin products and encourage customers to purchase them.

The profitability of the business increased by almost 30%.

**Key Learning:** Understand how your business makes money.

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