

CHECKLIST 12

1. Which of these three ratios (GMROI, GMROS, GMROL) would a premium brand retailer expect to be above average?

2. A retailer has decided to run some loss leader promotions with market leading products, which effectively means a margin of 10% will be applied to a new lower promotional price. His current retail price is \$68.95, with a margin of 29%. What's his current cost?

- 3-9. Hardware retailers have not (yet) got to the level of their grocery industry counterparts in demanding promotional support from suppliers. However, this may well be the future direction of the industry, so we need to be ready. In the table below, column 4 ("CO-OP \$") is a fixed cost paid to the retailer for a particular type of promotional activity, such as catalogue support. Column 5 ("DEAL") means a volume related case deal expressed as % of the sell price in column 6. Column 7 is the actual volume (units) sold during the promotional period, column 8 is the total cost (cols 4 plus 5), and column 9 shows the total cost as a % of sales.

PRODUCT PROMO	NORM SELL	NORM WK SALES	CO-OP \$	DEAL \$	DEAL %	ACT VOL BUY WKS	TOTAL COST	% PROM SALES
1 CHOCONUTS	23.00	188	5000	1.50	6.5%	900	6350	30.7%
2 FRUITYSCREWS	24.00	388	12000	2.80		2500	19000	31.7%
3 ORGASMAVITE	20.00	469	10000	1.00		3200	13200	20.6%
4 WALLYPOFFLE	25.00	450	2000	3.00		2300	8900	15.5%
5 MUNCHYCRUNCH	22.00	500	7500	2.40	10.9%	3000		
6 CHOCKERCHOC	27.00	400	4000	3.40	12.6%	1400		
7 TUMBLERONE	29.00	200	6000	3.80	13.1%	600		
8 BANANARAMA	21.00	150	9000	2.20		1250		
9 BOLOGNANA	26.00	450	5000	3.20		2000		
10 DEEDEES	28.00	350	7000	3.60		2500		

3. Please complete column 6

4. Please complete column 8

5. Please complete column 9

CHECKLIST 12 (CONTD)

6. What are your conclusions from this analysis?

7. What caveats do you place on these conclusions?

8. The buying and promotional periods of all ten promotions were four weeks, apart from Promo 1 (3 weeks) and Promos 6 and 7 (2 weeks). Please recalculate the % total cost to sales for Promotion One, using the incremental sales over normal.

9. What further information do you need to assess overall impact?

10. What is “On sale/Off sale” mix?