

Measuring the Right Things

The most rewarding part of working in business is being able to see tangible results for your efforts. Not only is this important for business owners, but every study of employee satisfaction shows that getting feedback on results is one of the most motivating factors of any job.

Sales Vs last year

For retailers – the simplest way to measure results is to compare the latest sales figures against an earlier period. There are still plenty of “old fashioned” retailers who still write their daily sales and customer count in a book, and compare it with the same day last year.

The problem with daily sales comparisons is the fact that they fluctuate a lot due to local factors such as weather, traffic, road works or other one-off events that can't be controlled. It is more meaningful to accumulate sales for a period (e.g. a week or a month, or the year-to-date) and compare these with the same period last year. Even these comparisons are distorted due to the timing of weekends or statutory holidays from one period to the next.

Computers do it best

With modern POS systems it is possible to automate such comparisons and to turn the figures into a visual display such as a graph or a dashboard showing whether performance is up or down, and by what percentage.

The most meaningful sales performance comparison is one that uses a rolling period such as the “last 30 days” and plots this regularly so that changing trends become visible immediately. This means you don't have to wait until the end of a month to see which way sales are going.

Warning!

But be warned – although the logic behind a computerised sales comparison is simple, getting it done accurately is not! Our experience with hundreds of retailers has uncovered more sales reports that are wrong, than ones that are right.

Once you've decided how to monitor retail sales trends – it is important to apply some rules so that non-core or non-retail activities that go through the till are excluded from your figures.

Filter for accuracy

For a pharmacy, this means excluding Prescription Fees (which are not retail sales). Other exclusions should be applied to remove sales of outsourced services such as Lotto, dry cleaning, appointment or consultant fees, payments for postage or freight and purely financial transactions such as purchases of gift vouchers and account payments.

Including these transactions in your sales trend comparisons can severely distort results, and can mean that you miss seeing the true retail sales trend until it is too late.

Best practice

Ensuring that all staff process credits, refunds and discounts in a uniform way will improve the accuracy of sales figures. It is also important to have a procedure for doing stock transfers, stock level corrections and wholesale sales of goods to other businesses, as it is common for these one-off transactions to corrupt sales reports.

Share the results

Once you can see an accurate picture of sales trends, this should be shared with all staff. Everyone comes to work hoping to make a difference, and if there is a clear visual scoreboard on display, your staff will be much more likely to try hard to improve their results.