

Merchandising for Profit

PRACTICAL IDEAS FOR MAXIMIZING SALES AND PROFITABILITY



THE
FARNSWORTH
GROUP

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Russell R. Mueller

RETAIL HARDWARE RESEARCH FOUNDATION



ORGANIZATION

The Russell R. Mueller Retail Hardware Research Foundation was established in 1968 as a living memorial to Russell R. Mueller, managing director of the National Retail Hardware Association from 1952 through 1967. Mr. Mueller was a lifelong crusader who made major contributions to the hardware industry as an advocate for independent retail hardware dealers.

OBJECTIVES

The purpose of the Mueller Foundation is to conduct ongoing research and educational activities designed to improve hardware retailing. According to the Foundation's charter, all research and education projects must fulfill a basic need, must not duplicate projects or programs of the National Retail Hardware Association or any other industry organization, must be of industrywide interest and use, must retain value over a period of years

and must perpetuate the causes for which Russ Mueller worked. All information developed by the Foundation is made available throughout the industry.

FINANCIAL

Funded by an initial grant of \$50,000 from the Board of Directors of the National Retail Hardware Association, the Mueller Foundation is organized as a non-profit business league. Continuing research projects are funded by voluntary contributions from individuals, companies and organizations at all levels of distribution throughout the hardware industry and by grants.

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Executive Summary

MERCHANDISING FOR PROFIT

Merchandising makes three important contributions to a retail store. It increases sales by appealing to customers. It improves profitability by generating margin dollars. It controls costs by improving employee and salesfloor productivity.

Merchandising touches almost every aspect of retail management and operations. It requires discipline, commitment and planning.

These are significant implications for the retail hardware/home improvement industry that come from a new merchandising study by the Russell R. Mueller Retail Hardware Research Foundation. This 2002 study builds on a 1989 baseline merchandising study which established industry benchmarks for merchandising techniques.

That pioneering study made a major impact on the hardlines industry. It confirmed what was long believed and improved retail merchandising practices. It influenced store format programs developed by wholesale distribution organizations and salesfloor merchandising programs created by manufacturers.

2002 RESEARCH FINDINGS

The 2002 study tested some of the same techniques in the baseline study and found that some are far more powerful than they were more than a decade ago, while others have become accepted merchandising practices.

The techniques tested in the 2002 study were disposable/temporary dump bins, permanent dump bins, rolling racks with signs, power aisle stack displays, service

counter displays, checkout displays, feature endcaps, cross merchandising and in-aisle feature/benefit signs. The research tracked item sales and compared them to previous sales levels. In all cases, sales increased, from 427 percent for disposable/temporary dump bins to six percent for in-aisle feature/benefit signs.

COMMON FACTORS

Several common factors emerged which characterize these merchandising techniques as drivers or norms.

Merchandising drivers have the potential to make a significant sales difference and give retailers considerable flexibility in planning merchandising strategies. They create a sense of urgency and play to shoppers' desire to find a "great deal." They are critical in giving retailers, especially independent hardware/home center retailers who battle a perception of being high-priced, a competitive edge. The drivers in this study were the dump bins, rolling racks, power aisle displays and the service counter and checkout displays.

Merchandising norms are common practices used over a long period of time by most retail channels. They do not produce the tremendous sales increases of the drivers, but their impact is not insignificant. They are important because sales could be lost and consumers discouraged if they are not implemented. The norms in the study were feature endcaps, cross merchandising and in-aisle feature/benefit signs.

Merchandising is more critical today than in the past. It is a key factor for growth for individual stores and for

the hardware/home improvement industry as a whole. According to the National Retail Hardware Association, industry growth is slowing. From 1990 to 1995, the industry grew at a 7.3 percent compound annual rate. From 1995 to 2000, annual growth was six percent; forecasted annual growth through 2005 is 3.8 percent.

Although new homeowners are coming into the market every year, they will begin to replace Baby Boom homeowners who are aging out of their prime do-it-yourself years rather than add to the market size. This means that growth must come from bringing customers into hardware/home improvement stores more often and buying more each time. That is where merchandising plays a key role.

COMPETITIVE POSITIONING

Merchandising also establishes the competitive position of retail stores. It can address important factors for satisfying customer demands, both do-it-yourselfers and professionals. It can help independent hardware/home improvement stores dispel a high-priced perception among consumers without damaging operating margins. It can improve the productivity of retail salesfloors and help employees do their jobs more effectively.

Achieving maximum benefit from merchandising demands discipline and dedication from store management. It demands attention to detail and a commitment to a complete in-stock position. Merchandising requires a plan, just as advertising requires a plan ... just as financial and operational management requires a plan.

Introduction

MERCHANDISING FOR PROFIT

If there's one word that describes today's hardware/home improvement industry, it is competitive. Consolidation among large corporate chains ... aggressive actions by independent entrepreneurial retailers ... more products searching for retail shelf space ... fierce battles for consumer dollars ... less opportunity to grow through unfettered expansion ... greater need to move more merchandise more quickly off the same retail square footage ... pressures on margins and profits. These are hallmarks of the home improvement market.

Increasing sales - both items and dollars - and profitability are critical for the hardware/home improvement industry, especially independent retailers who compete with corporate chains. There are basically three ways to increase sales: bring more customers into the store more often; increase the percentage of those customers who make a purchase on each shopping trip; and increase the size of each transaction.

Merchandising can affect all three by creating shopping excitement, assuring the products customers want are on the salesfloor, providing information at the point of sale that gives customers a reason to buy and suggesting additional purchases.

Merchandising drives much of what happens on the salesfloor. It involves far more than organizing products into departments and stacking them on fixtures. Effective merchandising creates an image for retailers, entices customers into stores, gives them necessary information, encourages them to buy and increases sales - not just for retailers but for the entire distribution channel.

CHANGING GROWTH PROSPECTS

More than a decade ago, the Russell R. Mueller

Retail Hardware Research Foundation published baseline research into the effects of certain merchandising techniques. At the time, the Foundation believed that actions as simple as mass display on endcaps or in dump bins with informative signing could make a difference. The research, published in 1989, confirmed that belief and amazed the industry with the magnitude of the difference a sign could make.

The underlying need for that study - finding ways to produce more sales from the same retail square footage - is even more critical today. In the years since the initial study, the industry has become more competitive and consumers have become more sophisticated.

Further, the industry is not growing as fast as it has been. It is maturing. For the past two decades the hardware/home improvement market grew because more homeowners were coming into the market and spending more money to maintain and improve their homes. In the future, new homeowners coming into their prime do-it-yourself years - ages 35 to 54 - will begin to replace the Baby Boomers, who are aging out of the market, rather than add to it in significant numbers.

Between 1990 and 1995, hardware/home improvement sales grew 7.3 percent a year. Between 1995 and 2000, the annual growth rate was six percent. In the five years ending in 2005, according to National Retail Hardware Association estimates, the industry will grow at 3.8 percent a year. (Chart A, Page 3)

This means is that growth must now come from consumers shopping more often and spending more each time.

THE NEW MERCHANDISING STUDY

The Mueller Foundation decided these trends indicated the time had come for a follow-up merchandising study, one that would combine solid field work updating earlier research with practical ideas for applying proven merchandising techniques on retail salesfloors.

The results are reported in detail in Section One. Researchers tested nine merchandising techniques: disposable/temporary dump bins, permanent dump bins, rolling racks with signs, power aisle stack displays, service counter displays, checkout displays, feature endcaps, cross merchandising and in-aisle feature/benefit signs.

The research tracked item sales and compared them to previous sales levels. In all cases, item sales increased, from 427 percent for disposable/temporary dump bins to six percent for in-aisle feature/benefit signs. Several common factors emerged which characterize these merchandising techniques as drivers or norms. (Charts B and C, Page 4)

The merchandising drivers have the potential to make a significant sales difference and give retailers considerable flexibility in planning merchandising strategies. They are critical in giving retailers, especially independent hardware/home center retailers who battle a perception of being high-priced, a competitive edge. The drivers in this study were the dump bins, rolling racks, power aisle displays and the service counter and checkout displays.

The merchandising norms are common practices used over a long period of time by most retail channels. They do not produce the tremendous sales increases of the drivers, but their impact is not insignificant. They are important because sales could be lost and consumers dis-

couraged if they are not implemented. The norms in the study were feature endcaps, cross merchandising and in-aisle feature/benefit signs.

The study indicates a need for disciplined merchandising in independent hardware/home improvement stores. It requires commitment from management, involvement of employees and skillful planning and execution of a disciplined merchandising strategy. This merchandising strategy should be based on three consumer shopping factors: shoppers look for a deal; they are open to suggestive buying; and they want to know why they should buy the product.

A disciplined merchandising strategy touches every aspect of retail operations, including an inventory management system that eliminates stockouts, profitability and productivity analyses, margin management evaluations and employee training. Section Two provides information that can be used to develop a merchandising plan.

HOW TO USE MERCHANDISING FOR PROFIT

The purpose of this book is to report the results of

the Mueller Foundation's merchandising study, identify key merchandising techniques, focus on the need for management commitment to a disciplined merchandising strategy and provide information to use to develop that strategy.

Merchandising for Profit serves as a guide to developing a merchandising plan that will improve profitability and productivity. According to the National Retail Hardware Association's annual cost of doing business surveys, merchandise productivity has not changed much over the years. For example, a traditional measure of merchandise movement - stock-turns - has held at 2.5 times for hardware stores for many years. Sales, margins and inventory per square foot are virtually unchanged for the past five years. Average transaction, sales per employee and gross margin per employee have increased, tracking overall sales growth.

In addition to presenting merchandising research results, this book includes industry data on merchandising productivity which can be used as a baseline from which to develop merchandising goals and tactics.

It is an excellent employee training resource. The information presented here will help managers and employees understand what merchandising is, why it works, how to go about it. The information can start employees thinking creatively about new merchandising activities. It is must reading for all employees.

The industry as a whole - retailers, wholesalers and manufacturers - can benefit from this new merchandising research. Retailers can benefit by using the ideas to improve their salesfloor presentation and teach employees how to use merchandising to advantage. Wholesalers can find direction as they develop merchandise assortments and presentation programs. Manufacturers can use it as guidance as they develop products, packaging, in-store merchandisers and signing.

Done properly, merchandising can increase sales by making a store more appealing to customers. It can improve profitability by generating more margin dollars. It can control costs by improving employee and salesfloor productivity.

The Growth Outlook MERCHANDISING FOR PROFIT

	HARDWARE/HOME IMPROVEMENT INDUSTRY COMPOUND ANNUAL GROWTH RATES
1990-1995	7.3%
1995-2000	6%
2000-2005	3.8%

SOURCE: *Do-It-Yourself Retailing*, MarketMeasure 2002 (CHART A)

The Effects of Merchandising MERCHANDISING FOR PROFIT

DRIVERS ■	NORMS ■	SALES INCREASE
DISPOSABLE/TEMPORARY DUMP BINS ■		427%
PERMANENT DUMP BINS ■		197%
ROLLING RACKS WITH SIGNS ■		134%
POWER AISLE STACK DISPLAYS ■		98%
SERVICE COUNTER DISPLAYS ■		81%
CHECKOUT DISPLAYS ■		39%
FEATURE ENDCAPS ■		25%
CROSS MERCHANDISING ■		15%
IN-AISLE FEATURE/BENEFIT SIGNS ■		6%

(CHART B)

The 2002 *Merchandising for Profit* study tested nine merchandising techniques and measured the sales results for each. In every case, item sales increased when retailers enhanced regular, everyday stock with these merchandising techniques.

Then and Now

	SALES INCREASE 1989	SALES INCREASE 2002
POWER AISLE STACK DISPLAY	79%	98%
PERMANENT DUMP BIN	43%	197%
SERVICE COUNTER DISPLAY	40%	81%
CROSS MERCHANDISING	67%	15%

(CHART C)

In 1989 the Mueller Foundation published a baseline study on merchandising techniques. It was the first time the hardlines industry had statistical proof that merchandising increases sales and profits. Its results influenced many of the merchandising techniques wholesalers and manufacturers incorporated into successful store format programs and merchandise displays.

Four of the techniques in the original study were repeated in the 2002 study. The figures show that the techniques are still powerful sales generators. At first glance, it might seem that one technique—cross merchandising—has lost some of its steam. In reality, cross merchandising has become an accepted norm for product placement. In 1989, cross merchandising was a new concept; not many stores were using it. Today, most stores use cross merchandising. Although it may not produce as strong sales results as it once did, not using it could cost sales.

Methodology

MERCHANDISING FOR PROFIT

The Merchandising for Profit study by the Russell R. Mueller Retail Hardware Research Foundation tested nine merchandising techniques. They were:

- Disposable/temporary dump bins
- Permanent dump bins
- Rolling racks with signs
- Power aisle stack displays
- Service counter displays
- Checkout displays
- Feature endcaps
- Cross merchandising
- In-aisle feature/benefit signs

The research used regularly stocked, everyday products with each merchandising technique. These products included:

- Anti-freeze
- Bird feeders
- Bird seed
- Cotton jersey work gloves
- Duct tape
- Electric trimmers
- Fertilizer

- Garden hose
- Gas cans
- Hand tools (diagonal cutters, files, hammers, sanding tools snips, tape rules)
- Hose nozzles
- Light bulbs
- Liquid drain cleaners
- Oscillating sprinklers
- Outdoor power cords
- Plant food
- Toilet plungers
- Trash bags
- Trash cans
- Wasp/hornet killer
- WD 40

Classic test market research procedures involved 31 hardware stores in three markets. The markets were:

- Indiana/Illinois/Wisconsin
- Florida
- Colorado

Researchers tracked item sales in all stores under normal inventory and display conditions for 30 days. Then each geographic panel of stores was split into test and control stores. Merchandising techniques were set up in the test stores for 30 days. No changes were made in the control stores. During the test period researchers closely monitored item sales, inventory levels and display use.

At the end of the test period, item sales of the test stores were compared to their own sales during the preceding 30 days and to those of the control stores. Results were then weighted to achieve an overall item sales increase.

Research was conducted by The Farnsworth Group for the Russell R. Mueller Retail Hardware Research Foundation.

Section One

2002 RESEARCH RESULTS

The Russell R. Mueller Retail Hardware Research Foundation studied nine merchandising techniques in retail hardware/home improvement stores. The purpose of the study was to measure the impact each technique would have on item sales.

The nine techniques were disposable/temporary dump bins, permanent dump bins, rolling racks with signs, power aisle stack displays, service counter displays, checkout displays, feature endcaps, cross merchandising and in-aisle feature/benefit signs.

This section details each technique, the results it produced and how retailers can use each one effectively.

Disposable/Temporary Dump Bins

UNIT SALES
INCREASE

427%



TESTING METHOD: DRIVER

Disposable/temporary dump bins produce significant sales increases. The merchandising study tested four scenarios. Clockwise from left: a neat display with a Special Sale sign, a messy display with a Special Sale sign, a messy display with an Everyday Bargains sign and a neat display with an Everyday Bargains sign. Merchandise was moved from regular shelf location to dump bins in power aisles.

PRODUCTS INCLUDED

- Plant Fertilizer
- Wasp/Hornet Killer
- Hose Nozzles

WHY DISPOSABLE/TEMPORARY DUMP BINS WORK

- Disposable/temporary dump bins create a sense of urgency.
- They promote the image of a short-lived promotion.
- They focus on seasonal products - needed now!
- They project the image of a special price that will not last long.
- They contribute to a competitive price image.
- They promote extra bargains in the power aisle.
- They appeal to consumers' desire to save money and time.
- They make shopping more enjoyable and entertaining.

HOW TO USE DISPOSABLE/TEMPORARY DUMP BINS FOR BEST RESULTS

- Choose seasonal products.
- Choose low-ticket items.
- Choose items that can be easily picked up.
- Limit product selection to two or three items.
- Keep the display neat.
- Keep the display full.
- Use signs to suggest a special sale.
- Change the product selection frequently.
- Take the display off the salesfloor for a couple of weeks after two or three product changes.
- If the dump bin becomes damaged or shopworn, replace it.

Disposable/Temporary Dump Bins

UNIT SALES INCREASE 427%

Americans love to hunt for bargains. The strength of discount stores, the growth of flea markets and the popularity of garage and yard sales attest to this. Low price is a factor, but there's something else ... the challenge of finding a gem of a product for next to nothing ... the fascination of a treasure hunt.

Hardware/home improvement stores have used mass displays for years. The question was could they create bargain-hunting intrigue on their salesfloors. The chosen merchandising technique was a disposable or temporary dump bin.

In the merchandising study, dump bins were placed in high-traffic power aisles. Three lawn and garden items - plastic hose nozzles, garden fertilizer and wasp/hornet killer - were taken from their regular

shelf locations and put in the dump bins. Prices were not changed. Dump bin signs did not mention price.

FOUR SCENARIOS WERE TESTED:

- A neat display with a Special Sale sign
- A messy display with a Special Sale sign
- A neat display with an Everyday Bargains sign
- A messy display with an Everyday Bargains sign

THE QUESTIONS TO ANSWER WERE:

- Would the condition of the display - neat or messy - have any effect on customer reactions?
- Would the idea of a sale vs regular low price make a difference?

The answers to both questions were yes. All four scenarios increased unit sales substantially, a composite average of 427 percent. However, the neat displays outperformed the messy ones and the Special Sale signs outdistanced the Everyday Bargain signs.

THE RESULTS:

- Sales increase for the neat displays was 529 percent, for the messy displays 327 percent.
- Sales increase for the Special Sale signs was 543 percent, for the Everyday Bargains signs 215 percent.

Permanent Dump Bins

UNIT SALES
INCREASE

197%



TESTING METHOD: DRIVER

Permanent dump bins are a powerful way to promote impulse products as well as everyday items. Sales of duct tape and cotton jersey work gloves nearly tripled. Merchandise was taken from regular shelf locations and put in permanent dump bins.

PRODUCTS INCLUDED

- Duct Tape
- Cotton Jersey Work Gloves

WHY PERMANENT DUMP BINS WORK

- Permanent dump bins create a sense of urgency to buy at a value price.
- They promote a close-out type sale.
- They promote a special deal the retailer is passing on to his customers.
- They focus on products that customers can use everyday.
- They project the image of a special price that will not last long.
- They contribute to a competitive price image.
- They appeal to consumers' desire to save money and time.

HOW TO USE PERMANENT DUMP BINS FOR BEST RESULTS

- Choose products that have broad appeal.
- Choose items that customers use everyday.
- Choose consumable products, items that customers will use up and replace.
- Choose low-ticket items.
- Choose items that can be sold for a very good price.
- Choose items that can be easily picked up.
- Promote special one-time buys.
- Promote seasonal items.
- Look for project starters to promote.
- Mass color to attract attention.
- Fill the dump bin with a single product and keep it full.
- Use signs to suggest a special sale or blow-out price.
- Change the product selection frequently.
- Tie in with advertised specials.

Permanent Dump Bins

UNIT SALES INCREASE 197%

Discounters like Wal-Mart have trained shoppers to look in dump bins for bargains. There's no reason why hardware/home improvement stores can't use the same technique to increase sales and to clear out end-of-season or overstocked inventory. Dump bins say value to consumers.

An earlier baseline merchandising study, published by the Russell R. Mueller Retail Hardware Research

Foundation in 1989, established the pulling power of dump bins. In that study, dump bins increased sales by 43 percent. Their effectiveness has increased almost five-fold in the last decade.

In the 2002 merchandising study, two products - duct tape and cotton jersey work gloves, the same two products tested in the first study - were taken from their regular shelf locations and piled in a per-

manent power aisle dump bin. They were mass displayed separately, not mixed in the same dump bin. They were given no special signing and their pricing was not changed.

Simply putting these two products out where customers would see them as they walked through the store nearly tripled unit sales.

Rolling Racks with Signs

UNIT SALES
INCREASE

134%



TESTING METHOD: DRIVER

Rolling racks are an effective display technique for small, tightly merchandised stores; they make productive use of limited space. In the merchandising study, two versions were used: one (left) with nationally branded tools and signing; the second with private label tools and signing. Cooper Tools provided merchandise, racks and signing. Racks were placed in high-traffic areas.

PRODUCTS INCLUDED

- Tape Rules (12, 16, 25 ft.)
- Files
- Hammers (16 oz.)
- Sanding Tools
- Compound Snips
- Diagonal Cutters

WHY ROLLING RACKS WITH SIGNS WORK

- Rolling racks highlight related products in high-visibility areas.
- They make productive use of small space.
- They are adaptable; they can be used anywhere in the store, even outside.
- They display several different products but require minimum inventory.
- They can be moved easily and frequently.
- They create a sense of urgency when used in different locations.
- They can be effective with seasonal and with everyday products.
- They appeal to consumers' desire to save money and time.

HOW TO USE ROLLING RACKS WITH SIGNS FOR BEST RESULTS

- Choose related products.
- Choose products that are easily picked up.
- Choose products that are relatively low priced.
- Combine impulse items with needed items.
- Keep the racks in high-traffic, high-visibility locations.
- Use signs to increase sense of urgency.

Rolling Racks with Signs

UNIT SALES INCREASE 134%

There's competition among products for space on salesfloors just as there's competition among retailers for customer dollars. With salesfloor space at a premium, especially in smaller stores where every foot of selling area must produce top dollar, the question is raised: Is there a power aisle display technique that can fit into a tightly merchandised store and generate sales increases?

That was the reason rolling racks with signs were tested in the merchandising study. The racks are highly mobile; they can be moved to any location in a store for promotional emphasis. They occupy less

space than dump bins, but, with three wire bins, make maximum use of the square footage.

The other half of the question - would these racks generate sales increases? - was answered during the test period. The racks were stocked with hand tools including tape rules, hammers, snips, diagonal cutters, files and sanding tools. Although most of the tools were relatively low cost, some carried prices upwards of \$30. None of the prices were changed during the test period.

Sales more than doubled for the merchandise assortment. However, price points had an effect on

item sales. Most items under \$10 had higher sales increases than those over \$15.

CooperTools sponsored this merchandising test and provided racks, merchandise and signing. It was the only merchandising technique tested where merchandise was provided specially for the study. Some of the racks displayed nationally branded products; others displayed private branded products. In all other tests, merchandise came from regular stock. Results suggest this concept would be appropriate for many kinds of merchandise.

Power Aisle Stack Displays

UNIT SALES
INCREASE

98%



TESTING METHOD: DRIVER

Large items can be stacked in power aisles to take advantage of the mass display merchandising concept. In the study, bagged fertilizer (left) and trash cans were taken from regular display locations and piled in power aisles.

PRODUCTS INCLUDED

- Fertilizer
- Trash Cans

WHY STACK DISPLAYS WORK

- Stack displays bring excitement and urgency to large items and big-ticket merchandise.
- They put lots of product in a small amount of space.
- They focus consumer attention on the product.
- They create an image of value.
- They enhance a store's price image.
- They require no special fixtures although platforms could be used.
- They appeal to consumers' desire to save money and time.
- They put excitement in shopping.

HOW TO USE STACK DISPLAYS FOR BEST RESULTS

- Choose bagged or boxed items.
- Use packaging to advantage in catching attention.
- Choose unpackaged items that stack conveniently.
- Choose items that require assembling and set them up.
- Mass color to attract attention.
- Choose seasonal items for special promotions.
- Choose visible, promotable items to enhance price image.
- Tie in displays with advertised specials.

Power Aisle Stack Displays

UNIT SALES INCREASE 98%

Sales of small, lower-priced, easily-held items increased through power aisle displays. Would larger, higher-priced merchandise do as well? Stack displays were the merchandising technique used to focus attention on larger items.

Bagged fertilizer and trash cans were taken from their normal shelf locations and stacked separately in power aisles. Although they made a massive display of

product, they had no special signing and the price was not changed. Simply putting them out where customers would see them nearly doubled sales.

Stack displays carry out the same merchandising technique as dump bins and rolling carts. They extend the power aisle mass display concept to more types of products. The merchandising study tested products that could be stacked; the concept will work for items

such as lawn mowers or high-end grills that would be unpacked, assembled and massed in a power aisle.

Although low price may not be a factor in stack displays, value through competitive pricing is. The displays are highly visible; they emphasize price. Items most effective for stack displays should be competitively priced, even if the price is a big ticket. Used properly, power aisle stack displays can enhance a store's price image.

Service Counter Displays

UNIT SALES
INCREASE

81%



TESTING METHOD: DRIVER

Cans of a recognizable brand and product placed on the service counter remind customers of additional purchases and turn a few inches of empty counter into productive selling space. Several items were moved from regular shelf location to the service counter. Products were displayed in both locations.

PRODUCTS INCLUDED

- WD-40

WHY SERVICE COUNTER DISPLAYS WORK

- Displays suggest an additional purchase.
- They remind customers of something they may have forgotten.
- They give customers something to look at and think about while they wait.
- They may suggest another project.
- They may generate conversation that can lead to another sale or future project.
- They put products within easy reach.
- They can turn empty counter space into productive selling area.
- They appeal to customers' desire to save money and time.
- They add interest to shopping.
- They create a sense of urgency.

HOW TO USE SERVICE COUNTER DISPLAYS FOR BEST RESULTS

- Choose items that are small.
- Choose items that are not likely to be knocked off or spilled.
- Choose items that will not be damaged by handling.
- Choose impulse items.
- Choose consumable items.
- Choose items most customers recognize and use.
- Choose items that relate to the type of service being offered; for example, key chains or lock deicer at the key cutting machine.
- Position items carefully - where customers will see them but not where they will be in the way.
- Consider items that need a little explanation to generate questions that would result in sales.

Service Counter Displays UNIT SALES INCREASE 81%

Customers usually spend several minutes at a service counter. They expect to. But there's no reason not to occupy their attention while they wait ... suggest to them an item they may need or that may relate to the service they are seeking.

Service counters offer display space that is frequently overlooked. They offer a second opportunity to sell regularly stocked merchandise.

In the study, several cans of WD-40 were moved from their regular shelf location to the service counter. Most of the inventory remained on the shelf. During the test period, sales increased 81 percent. This same

merchandising technique, using the same product, was tested in the 1989 Mueller Foundation merchandising study and it increased sales 40 percent then. It is a technique that increases sales with relative ease, but requires some thought.

In this test, a well-known, widely-used, proven, consumable product was used. There are other products that would be effective on a service counter. If the store has one service counter, the best approach is the one used in the study - consumable impulse items. An alternative approach would be products that might generate questions and an opportunity to sell another project.

How-to literature is not a good candidate unless the subject matter relates to the service offered; how-to materials are more effective in their own area or in the aisle with the appropriate products.

If the store has more than one service area, consideration should be given to choosing products that relate to the type of service being offered. This approach could be effective with professional customers.

In either case, choose products that will stand on their own, won't fall over or roll around and won't be damaged by frequent handling.

Checkout Displays

UNIT SALES
INCREASE

39%



TESTING METHOD: DRIVER

Impulse items move quickly when merchandised at the checkout counter. Duct tape and cotton jersey work gloves were tested in the merchandising study. Merchandise was double-stocked in regular shelf locations and at checkout counters.

PRODUCTS INCLUDED

- Duct Tape
- Cotton Jersey Work Gloves

WHY CHECKOUT DISPLAYS WORK

- Everyone who comes into the store passes the checkout on the way out.
- Checkout counter displays remind customers of something they may have forgotten.
- They play to consumers' penchant for buying on impulse.
- They put products within easy reach.
- They create a sense of urgency.
- They turn an unattractive back side of a checkstand into prime selling area.
- They appeal to consumers' urge to save money.
- They add excitement to shopping.

HOW TO USE CHECKOUT DISPLAYS FOR BEST RESULTS

- Choose items that excite consumer interest.
- Choose impulse items.
- Choose consumable items.
- Choose items most customers recognize and use.
- Choose low-priced items.
- Choose items that will not be damaged by handling.
- Keep merchandise off the checkout counter; use the display area at the front of the checkstand.

Checkout Displays

UNIT SALES INCREASE 39%

The checkout may be the highest traffic area in the store. Few customers fail to pass the checkout. It's the last chance to sell something.

Checkout displays can sell any type of product: high-impulse, low-priced, consumable items that are stocked elsewhere in the store. Or products that aren't related to hardware or home improvement projects such as food snacks, sewing kits, bagged pencils or pens, notebooks.

In the merchandising study, duct tape and cotton jersey work gloves were put on checkout displays; sales increased by more than a third. The items were double-stocked in regular shelf locations.

Checkout displays should be on a fixture or in a box at the front of the checkstand. It is not a good idea to put loose merchandise on the checkout counter; customers need the space for their purchases.

Products chosen for checkout display should be the fastest moving styles, sizes or types. Customers will make an instantaneous decision. Checkout displays are small so the goal is to pack as much fast-moving merchandise as possible into that small space. The result is sales per square foot that can be significantly higher than normal.

Feature Endcaps

UNIT SALES
INCREASE

25%



TESTING METHOD: NORM

Four types of products were mass displayed on feature endcaps during the merchandising study. They included trash bags, anti-freeze, plastic gas cans and bird houses with bird seed. Merchandise was moved from regular shelf locations to feature endcaps.

PRODUCTS INCLUDED

- Trash Bags
- Bird Feeders and Seed
- Anti-freeze
- Plastic Gas Cans

WHY FEATURE ENDCAPS WORK

- Consumers expect to see endcaps in a retail store.
- They expect to see sharp prices on the merchandise displayed there.
- Endcaps promote seasonal goods.
- They highlight fashion items such as housewares and decorating products.
- They help close out overstocked inventory.
- They promote projects.
- They draw customers off the power aisle into departments.
- They develop a competitive price image.
- They appeal to consumers' desire to save money and time.
- They suggest home improvement ideas.

HOW TO USE FEATURE ENDCAPS FOR BEST RESULTS

- Promote price specials.
- Promote special buys.
- Choose low-priced consumables.
- Promote new items.
- Call attention to seasonal items.
- Tie in with advertised specials.
- Mass display items to clear out overstocks.
- Display related items, including how-to information.
- Develop project themes.
- Limit the number of items to two or three.
- Choose related items.
- Design displays to increase customer convenience.
- Design signing to inform customers.
- Change frequently on a rotating schedule.

Feature Endcaps

UNIT SALES INCREASE 25%

When customers shop in supermarkets, discount stores and other mass retail outlets, they see many endcaps. Whether or not endcaps are signed for special pricing, consumers assume the items there are on sale. Hardware/home improvement stores know endcaps are prime real estate. It is the rare hardware/home improvement store that does not front shelf units, especially on power or main traffic aisles, with endcaps. Wholesaler store format programs focus much attention on endcaps. Manufacturers create displays with endcaps in mind.

In the 1989 Mueller Foundation merchandising study, feature ends generated very significant sales increases - from 112 percent with no sign to 229 percent with a feature/benefit sign. In that study, a single product, water sealant, was massed on the endcap.

In the 2002 study, products were moved from their normal shelf location to a feature endcap. Four different products were displayed - each on a separate endcap, some with related items. The test included trash bags, anti-freeze, plastic gas cans and bird feed-

ers with birdseed.

Sales increased an average 25 percent during the test period. Compared with earlier results, the increase would seem insignificant. Yet, in today's competitive market, any merchandising technique that can push sales up 25 percent is worthwhile.

Another question to consider is how much business might be lost if endcaps are not used effectively. That is a risk no retailer should take. The issue is not whether but how to use feature endcaps.

Cross Merchandising

UNIT SALES
INCREASE

15%



TESTING METHOD: NORM

Cross merchandising is displaying related products together. The merchandising study indicates that reaching across departments is especially effective. The product combinations included power cords with electric trimmers (top photo), liquid drain cleaners with toilet plungers (bottom photo) and sprinklers with garden hose. Items were double-stocked in their regular locations and in a second location with a related item.

PRODUCTS INCLUDED

- Trimmers
- Lawn Sprinklers
- Plungers
- Extension Cords
- Garden Hose
- Liquid Drain Cleaners

WHY CROSS MERCHANDISING WORKS

- Customers want convenience and one-stop shopping.
- Cross merchandising suggests related items.
- It organizes products the way they are used.
- It can suggest better quality items.
- It appeals to consumers' desire to save time.
- It makes shopping easier.
- It gives customers project information.

HOW TO USE CROSS MERCHANDISING FOR BEST RESULTS

- Display products together that are used together.
- Look for opportunities to combine products from different departments.
- Take advantage of seasonal projects.
- Promote common household repair and maintenance projects.
- Display the pairs in the department where customers are most likely to go first.
- Look for vendor planograms that take advantage of cross merchandising.
- Use informative signing to compare benefits of good-better-best quality and remind customers of items that complete projects.

Cross Merchandising

UNIT SALES INCREASE 15%

Customers want convenience. They want one-stop shopping. When it comes to home maintenance, repair and improvement purchases, that means going home with all the items necessary to complete whatever project they are working on. Cross merchandising puts related item together in addition to the location in which they are regularly stocked. A classic example is outdoor power cords from the electrical department displayed with power equipment in the lawn and garden department.

That was one of the pairings in the merchandising study ... and the one that produced the greatest sales gains. During the test period, sales of three product combinations were tracked. Items were double-stocked in their regular locations and in a second location with a related item.

THE PAIRS INCLUDED:

- 50-foot power cords displayed with electric trimmers
- Liquid drain cleaners displayed with toilet plungers
- Oscillating sprinklers displayed with 50-foot hose

The average sales increase for all three pairings was 15 percent; the increase for electrical cords and trimmers was 60 percent. These two items are normally stocked in different departments. In the other two cases, the paired items are normally stocked in the same department. The difference in sales results is a clear signal that seeing is buying.

Cross merchandising, too, was tested in the 1989 merchandising study. A decade ago the concept produced sales increases of 60 percent or better. At that time, cross merchandising was just beginning to be used widely. Those stores who did use it had a com-

petitive advantage. Today, consumers expect to find related products together and the industry is doing a better job of meeting that expectation.

Cross merchandising is more important than ever. Customers who are in a hurry - and most are - don't think about related items and they don't want to look all over the store for the items they need for a project. Cross merchandising is a way to increase sales of related items simply by putting the merchandise in front of the customer. Without cross merchandising, retailers could lose sales.

In-Aisle Feature/Benefit Signs

UNIT SALES
INCREASE

6%



TESTING METHOD: NORM

A simple feature/benefit sign, created in the store, offers three reasons why energy saving light bulbs are a good purchasing decision. It was placed on the shelf with the products in their normal location.

PRODUCTS INCLUDED

- Energy Saving Light Bulbs

WHY IN-AISLE FEATURE/BENEFIT SIGNS ARE IMPORTANT

- Feature/benefit signs answer customers' questions.
- They provide information quickly and easily.
- They make it easier for customers to shop.
- They give customers reasons to buy better quality items.
- They call attention to new products.
- They explain differences between similar products.
- They fill consumers' demands for information.
- They appeal to consumers' desires for quick, one-stop shopping.
- They can be produced inexpensively in the store.

HOW TO USE IN-AISLE FEATURE/BENEFIT SIGNS FOR BEST RESULTS

- Be creative in the way you develop feature/benefit signs.
- Add a sense of urgency with price information.
- Include comparative features for good-better-best items.
- Promote new products.
- Explain differences between similar items.
- Identify unique products.
- Make the signs easy and quick to read.
- State the features and benefits clearly, concisely.
- Replace the signs before they become shopworn.
- Take advantage of packaging to provide information to consumers.

In-Aisle Feature/Benefit Signs

UNIT SALES INCREASE 6%

Sometimes hardware/home improvement customers need help with a project. They need the personal service and knowledge that salespeople provide. Sometimes they do not. And that is where in-aisle feature/benefit signs can be effective.

The reasons these signs help increase sales derive from customer demands for information and for easy and time-saving shopping.

In the merchandising study, feature/benefit signs

were placed at the regular shelf location of the item - in this case 100-watt energy saving light bulbs. The signs were simple, concise and to the point. They told customers they could cut energy costs, have a longer life bulb and benefit the environment. They provided a reason to buy a more expensive light bulb. And they increased sales by six percent.

Customers are used to looking for information with the products they are buying and they appreci-

ate the information provided and time saved by these signs. They answer customers' most likely questions and let salespeople use their time and knowledge to answer difficult questions and solve problems.

While feature/benefit signs did not produce significant sales increases, they did improve sales. They are a merchandising technique that retailers should use.

Section Two

DISCIPLINED MERCHANDISING STRATEGIES

The spectacular item sales increases measured by the Russell R. Mueller Retail Hardware Research Foundation in its 2002 merchandising study, and reported in Section One, suggest the need for disciplined merchandising strategies to increase sales, improve profitability and control costs ... all of which lead to stronger competitive positioning for independent hardware/home improvement retailers.

Disciplined merchandising strategies begin with management commitment, involve employees and touch almost every aspect of retail store operation.

This section analyses the importance of disciplined merchandising, details the elements of merchandising, suggests departmental merchandising tips, provides statistical benchmarks for evaluating merchandising and employee productivity and describes the customer satisfaction demands that merchandising can meet and exceed.

The Importance of Merchandising DISCIPLINED MERCHANDISING STRATEGIES

Merchandising makes three important contributions to a retail store. It increases sales. It improves profitability. And it controls costs.

It increases sales by making a store appealing to customers. It improves profitability by generating more margin dollars. And it controls costs by improving employee and salesfloor productivity. In doing so, merchandising touches almost every aspect of retail management and operations.

Results of the 2002 study by the Russell R. Mueller Retail Hardware Research Foundation, reported in Section One, confirm beyond all doubt the strategic value of disciplined merchandising. It points to the need to plan and execute merchandising techniques with the same management commitment as goes into inventory management and advertising.

The next few pages will delve into the reasons why and what retailers should consider as they develop merchandising plans.

APPEALING TO CUSTOMERS

The first aspect to merchandising is how it can be used to attract customers, make shopping easier for them and give them reasons to come back often and spend more money.

Underlying any merchandising plan should be the understanding that many consumers no longer consider shopping fun. A retailer's challenge is to know the fundamentals of customer satisfaction and use them to take the hassle out of shopping.

Consumer research by the Mueller Foundation identified seven elements of do-it-yourself customer satisfaction and defined actions retailers can take to meet those demands. Essentially, do-it-yourselfers want to save money and time; they want information to make intelligent decisions; they want one-stop shopping; they want shopping to be easy and fun; and they want special services. Each of the nine merchandising techniques tested in the 2002 merchandising study filled one or more of these demands.

Further consumer research, published in *Home Improvement DATA* magazine (published by the National Retail Hardware Association), defined where do-it-yourselfers shop for home repair and improvement products and why they choose a particular store.

This research found that do-it-yourselfers shop in five different kinds of stores for home repair and improvement products - hardware stores, warehouse home centers, lumber-oriented stores, specialty stores and discount stores. More than 70 percent of them shop in at least three different types of stores and they tend to have favorite stores among each store format.

The reason do-it-yourselfers choose a certain store depends on what they are looking for at the time. Discount store purchases tend to be products needed for light home repair jobs that are picked up while shopping for other merchandise. Warehouse home center purchases lean more toward major remodeling projects.

Consumers shop where they feel certain they can find the merchandise they want. And they seem to have

more loyalty for hardware stores than for other types of home improvement outlets. The *DATA* research suggests that hardware store shoppers are very likely to shop at the same hardware store where warehouse home center customers will shop at any warehouse home center.

The *DATA* survey confirmed one of the findings of the Mueller Foundation customer satisfaction study: consumers' real desire for one-stop shopping. Significantly, both studies indicated that one-stop shopping does not translate into the massive product selections offered by big box stores or super centers. Do-it-yourselfers said they look at one-stop shopping one project at a time. They go to the store where they think they can get all of the products for that project at one stop.

Repeat shopping is critical. Experts on the subject of store loyalty say that customers who are most likely to come back are those who made a recent purchase, who buy frequently and who spend the most money. With all of the competition for consumer dollars, prime opportunities for growth come from bringing existing customers back more often and giving them reasons to buy more each time.

Professional customers are becoming a significant market for many hardware/home improvement retailers. Customer satisfaction factors are different for them. The Mueller Foundation also benchmarked satisfaction elements for professional customers.

Professionals are more knowledgeable than all but the most experienced do-it-yourselfers. They demand equal expertise from the retailers they do business with. They

want full inventories, on-time delivery, sharp pricing and a solid business relationship.

Details of the two customer satisfaction studies are outlined on pages 43-44.

IMPROVING PROFITABILITY

There's more to merchandising than stacking products on the salesfloor. The Mueller Foundation merchandising study tracked item sales. All nine techniques increased sales, even though no special pricing was used. This leads to strategic questions of price image, inventory management and margin management.

Price image is a major consideration for independent hardware/home improvement retailers. Many battle a perception among consumers that they are high-priced - a perception that is heightened by the presence of big box competition. The independents' challenge is not to underprice competitors but to convince consumers that they are priced competitively for the value and service they offer. At the same time, they must protect profit margins and generate resources to grow.

Merchandising helps in two ways. With skilled use of product selection, display and pricing, it can suggest to consumers that they can, indeed, find good prices in independent stores. It can also help retailers protect operating margins by increasing item sales at the same time they lower prices.

If, by simply moving a product from a shelf location to a promotional location, sales double or triple, retailers have the flexibility to make strategic pricing decisions. They can maintain regular pricing and increase margin dollars at the same rate they increase sales. Or they can price promote, sell more items, maintain margin dollars and dispel a high-price image.

In the Mueller Foundation study, duct tape was pulled

from its normal shelf location and put in a dump bin. The price was not changed. During the test period, item sales nearly tripled. The accompanying chart, "How Reducing Price Affects Sales and Margins," (page 31) uses that sales increase to demonstrate one way retailers can approach merchandising decisions.

Sales per square foot is another factor that may influence how and where items are merchandised. For example, in the Mueller Foundation study work gloves were tested in dump bins and on a checkout display. While the gloves were the only item displayed in the dump bin, they shared the checkout display with a variety of other items, most of which were consumables and a few (like candy) that were totally unrelated to hardware.

In this kind of scenario, retailers would need to compare sales per square foot for dump bins vs checkout displays for the gloves plus look at sales and margins for other products on the checkout display. Effective merchandising displays items in a way that will produce the greatest profitability.

Another aspect to consider: The actual dollars produced by item sales increased vs the percent of increase. Modest percentage increases in sales of bigger ticket items may produce more dollars than doubling or tripling sales of low-priced impulse items. The same thinking should be applied to margin dollars.

CONTROLLING COSTS

Industrywide before tax net profit for independent stores runs about 2.5 percent of net sales. Over the years gross margins, as a percent of net sales, have not changed much. They hover around 37 percent for hardware stores, 28 percent for home centers and 25 percent for lumber/building material outlets. Costs of doing business, however, tend to go up and

put pressure on bottom line net profit.

One way retail companies can control costs is by improving the productivity of salesfloors and employees.

Retail productivity improves when the same salesfloor square footage and the same number of employees generate more sales. There are several measurements of retail productivity - average transaction, sales per square foot, gross margin per square foot, sales per employee, gross margin per employee, payroll costs as a percent of sales and as a percent of margin. Charts on page 32 show current industry performance for these productivity measurements.

Knowledgeable employees are a competitive must. No hardware/home improvement store can function without them. It is their knowledge, experience and selling skills that help customers solve problems, plan projects and go home with all the items needed for the current project. And that's what they should concentrate on - answering questions, solving problems, selling related items. They should not simply direct traffic - that's what signs and other merchandising techniques do.

Many customers truly need help. Yet, there are times when customers don't need - don't even want - sales help. They know what they want and only need to know where to find it. Signing provides that information. It can also suggest related purchases at the point of sale and impulse purchases in a power aisle or at the checkout.

Merchandising should complement the efforts of salespeople by organizing the store, suggesting project ideas, reminding customers of forgotten items, promoting special buys and seasonal items and providing self-shopping information while allowing employees to give full attention to customers who need their help. These same merchandising efforts can increase

sales and margins per square foot.

Some of the factors that go into improving salesfloor productivity include stockturns by department, product line and item, peak selling periods for each department and customer traffic patterns. Gathering this information for each store provides guidance on what items to promote when and where on the salesfloor.

One caveat is inventory levels. For merchandising to be fully effective, shelves, hooks, bins, feature endcaps, dump bins and all the other display areas must be full. Stockouts aren't allowed. It takes only one experience of not finding the items they need for do-it-yourselfers to shop elsewhere.

Full displays mean accurate inventory tracking and appropriate ordering levels - and, perhaps, a greater investment in inventory.

A MERCHANDISING PLAN

Taking maximum advantage of the benefits of merchandising demands discipline and management leadership. Skilled merchandising is hard work. It requires daily attention to the details that make the difference between a well-merchandised store and a poorly-merchandised one. Employees need to understand what merchandising is, how it is accomplished, why it works, how it helps them do their jobs and - most critically - that it is important to company management. Merchandising requires a plan, just as advertising requires a plan ... just as financial and operational management requires a plan.

Competitive pressure demands disciplined merchandising. Big box home improvement centers, discount stores, super centers, supermarkets and every other kind of power retailer makes disciplined merchandising part of

an operational strategy. Customers are used to mass impulse displays in power aisles, feature endcaps packed with special merchandise and checkout displays with last-minute pick-up merchandise. There's no reason why independent retailers should not take advantage of the merchandising techniques that trigger additional sales.

The pages that follow present elements of merchandising plus merchandising tips for core hardware/home improvement departments and an outline of customer satisfaction factors for do-it-yourselfers and professionals. Use the information here and in Section One to plan merchandising efforts to achieve the greatest results. This information would be helpful, too, in teaching employees what merchandising is and how it will help them sell. Merchandising works!

How Reducing Price Affects Item Sales & Margin DISCIPLINED MERCHANDISING STRATEGIES

	SHELF LOCATION	DUMP BINS			
		REGULAR SHELF PRICE	10% PRICE REDUCTION	25% PRICE REDUCTION	BREAK EVEN
NUMBER OF ITEMS SOLD	100	300	300	300	300
RETAIL PRICE PER ITEM	\$ 3.50	\$ 3.50	\$ 3.15	\$ 2.60	\$ 2.50
TOTAL DOLLAR SALES	\$ 350	\$ 1,050	\$ 945	\$ 780	\$ 750
MARGIN DOLLARS PER ITEM	\$ 1.50	\$ 1.50	\$ 1.15	\$ 0.60	\$ 0.50
TOTAL MARGIN DOLLARS	\$ 150	\$ 450	\$ 345	\$ 180	\$ 150

The Mueller Foundation merchandising study showed permanent dump bins increased item sales by 197 percent, essentially tripling sales. To simplify calculations, item sales were tripled in this example.

Shelf location retail price and margin were based on the actual retail price and margin for duct tape reported by one of the study's participating retailers. Changes in item sales, retail price and margin dollars were calculated from the shelf location price and

margin. Item cost remained the same in all scenarios.

The break even column shows how much the retail price can be reduced and still produce the same margin dollars as item sales from the product's original shelf location.

No additional item sales increases were attributed to price reductions. In reality, reducing the price should produce more item sales which would result in higher margin dollars.

If the retail price is not changed when the items are put in a dump bin, the strategic merchandising question is what to do with the additional margin dollars produced by higher item sales:

- Let the additional margin go to covering costs of doing business?
- Use the additional margin to invest in new products or additional inventory?
- Improve price image by reducing the retail price? It's an individual choice.

Merchandising Productivity Ratios DISCIPLINED MERCHANDISING STRATEGIES

	HARDWARE STORES	HOME CENTERS	LUMBER/BUILDING MATERIAL OUTLETS
INVENTORY TURNOVER (STOCKTURNS)	2.5 X	4.0 X	5.3 X
SALES TO INVENTORY RATIO	4.0 X	5.8 X	7.2 X
SALES PER SQUARE FOOT/SELLING AREA	\$ 131	\$ 264	\$ 674
SALES PER SQUARE FOOT/TOTAL AREA	\$ 95	\$ 79	\$ 68
GROSS MARGIN PER SQUARE FOOT/SELLING AREA	\$ 51	\$ 77	\$ 181
INVENTORY PER SQUARE FOOT/SELLING AREA	\$ 35	\$ 45	\$ 88
AVERAGE TRANSACTION	\$ 14	\$ 42	\$ 121

SOURCE: National Retail Hardware Association and Home Center Institute, 2002 Cost of Doing Business Study

Employee Productivity Measurements

	HARDWARE STORES	HOME CENTERS	LUMBER/BUILDING MATERIAL OUTLETS
AVERAGE PAYROLL/ALL EMPLOYEES (INCLUDES BENEFITS)	\$ 24,073	\$ 30,183	\$ 38,422
AVERAGE SALARY/ALL EMPLOYEES	\$ 20,671	\$ 25,371	\$ 31,988
AVERAGE SALARY/DEPARTMENT MANAGERS	\$ 24,690	\$ 27,061	\$ 27,498
AVERAGE SALARY/SALESPEOPLE	\$ 22,318	\$ 23,400	\$ 27,269
AVERAGE SALARY/CASHIER	\$ 17,056	\$ 17,763	\$ 17,368
SALES PER EMPLOYEE	\$ 118,923	\$ 168,948	\$ 240,793
GROSS MARGIN PER EMPLOYEE	\$ 45,731	\$ 53,522	\$ 63,263
TOTAL PAYROLL AS A PERCENT OF NET SALES	20.7%	17.4%	15.5%
TOTAL PAYROLL AS A PERCENT OF GROSS MARGIN	54.0%	58.6%	60.3%

SOURCE: National Retail Hardware Association and Home Center Institute, 2002 Cost of Doing Business Study and 2002 Employee Compensation Report

Elements of Merchandising DISCIPLINED MERCHANDISING STRATEGIES

Merchandising incorporates salesfloor design, product selection, product presentation, pricing and interior signing. Merchandising is the effective use of products, display fixtures, space, color, lighting and signing to encourage customers to buy.

Disciplined, effective merchandising gives careful attention to details that can make a competitive difference by creating an appealing shopping environment, increasing sales and profitability and enhancing a value price image.

SALESFLOOR LAYOUT

Grid layout is the simple, traditional layout for hardware/home improvement stores - straight cross aisles leading off one or more main aisles into departments. This layout is neat and makes good use of space. Its main drawback is that it does not put the maximum amount of



Loop Layout

product in front of customers.

Loop/racetrack layout circles the salesfloor with a main traffic aisle. It gives every major department exposure on the main aisle. It moves customers through the store and lets them see merchandise in more departments. It provides more locations for endcaps, which helps create a value price image.

Diagonal layout is a modification of the loop/racetrack layout and can be effective in smaller stores. It creates several triangular areas in the store and pulls customers to corners they might otherwise miss.



Power Aisle Department Signing

Power aisle design works well for smaller salesfloors where a loop or racetrack is not practical. It is a double-width aisle that runs the full length of the store. Departmental cross aisles feed off of the power aisle. The power aisle gives exposure to most major departments through the use of feature endcaps and provides room for



Project Center

impulse or promotional mass displays in the center of the aisle. It makes maximum use of lineal display area.

Project centers and demonstration areas can be developed with any of these types of salesfloor layout. They can be used for classes, workshops or product demonstrations as well as collection points for how-to videos, books and other kinds of take-home project and product information. These areas should present products related to projects and focus attention on promoted merchandise. Signing should suggest projects, explain product features, benefits and price and highlight the value of home improvement projects. People want to participate in shopping; classes, clinics and demonstrations appeal to this desire.

Cube display is another way smaller stores can get the maximum amount of merchandise on the salesfloor. It means using higher fixtures with careful attention to the



Demonstration Area

kinds of merchandise displayed on higher shelves. An effective way to use cube display is to put the higher fixtures in the back of the store which makes more merchandise visible from the front and leads customers through the store.

DEPARTMENTAL ORGANIZATION

Most stores are departmentalized, but does merchandise always stay in its assigned department?

Customers like organized stores; they like to be able to find merchandise quickly. Departmentalization does that.

Keeping items in their proper places should be part of every employee's job description. Any time an employee sees a product in the wrong place, pick it up and put it back where it belongs.

INTERIOR SIGNING

Signing is key to making shopping easier for customers and to giving them information to make intelligent buying decisions. Signs keep customers in store longer, move them from department to department and suggest more items to purchase. In addition to department

and aisle signs, shelf and product signs can convey shopping information.

Signs should tell price, savings, features, benefits and uses of products. They can create urgency by identifying items as one-time-only bargains or close-outs. They should be neat, easily read, eye catching and informative.

Department signs should be visible from the front of the store to help time-pressured customers quickly find what they are looking for. Informational signs should describe the product, state its price, identify advertised items, flag new items, etc. In addition to giving customers instantaneous information, item/price signs help establish a value price image.

How-to project signing is also important for customers. Consumers say they want information at the point of sale that will tell them about the product and will suggest ideas to them. How-to signing can be especially effective with related item or cross merchandising.

USE OF SPACE

Merchandising should organize products to make the most productive use of space. This involves setting shelves at heights that will clear merchandise but not waste space, adjusting hooks and bins to the size of the item and fitting long and short handled items together.

Retailers advertise products they think customers want. That same idea should govern what items are put in prime display space in the store. Keep the best display area for high-demand, fast-moving products. Putting slow-movers in prime space won't make them sell faster; it will only suggest to customers that the merchandise they want is in another store.

USE OF COLOR

Masses of color attract customer attention, whether the color is in the packaging or in the product itself. Try to take advantage of color in organizing displays.

Surrounding color - walls, fixtures, etc. - should compliment the merchandise; it should not distract customer attention away from products and packages.

USE OF LIGHTING

Lighting does more than let customers find their way through the store. It sets a mood and creates a shopping environment. Bright, well-lighted stores are more appealing than dark, poorly-lighted ones.

Lighting can draw attention to feature departments and highlight special areas of the store. It can enhance the color and appearance of merchandise.

For maximum effect, lighting should be replaced on a regular basis and before bulbs burn out. Fixtures should be cleaned every time lighting is changed.

MASS DISPLAYS

Mass displays create a store's price image. In the consumer's mind, high volume equals low price. Mass displays put a high volume of merchandise in front of the customer, with its accompanying message of economy and value pricing. Dump bins, feature endcaps, movable racks, stack displays and special promotional areas are the vehicles for effective mass displays.

Placing low-priced, loss-leader items in the front of the store adds to a low-price image. The first items customers see are the bargains.

Products that are good candidates for mass display include bagged goods, stackable items, everyday prod-

ucts, consumables, special buys, seasonal items, advertised specials and close-outs.



Interactive Technology

INTERACTIVE TECHNOLOGY

Putting some fun and excitement in shopping appeals to customers, especially the younger ones who are very much at home with computers and other kinds of technology. They are willing to use interactive computer kiosks and touch-screen computers on the salesfloor to get information, to plan their own projects and to find out about product availability and even place their own special orders. Customers under age 25 respond to interactive technology; they may not be today's primary do-it-yourself customers but it won't be many years before they are.

Technology is not a replacement for knowledgeable salespeople, but it can make their jobs more productive. Interactive programs that produce a list of tools and materials for a project are an electronic version of how-to project brochures - both lead customers to make purchases of all the items they need to complete a project.

HOUSEKEEPING

Careful and regular housekeeping creates a bright, clean, cheerful, uncluttered salesfloor. It helps customers find the items they are looking for and it improves the store's in-stock image. Typical housekeeping chores include:

- Clearing aisles of obstacles such as boxes and totes being unpacked.
- Making sure there are no sharp items, loose cord or cable or boxes protruding from shelves.
- Checking shelf labels and price stickers to be sure they are neat, clean, complete and current.
- Checking displays for orphan items and empty packages. Orphans are items that are in the wrong place, usually left by a customer who picked up an item in one department and left it in another. Empty packages should be removed and inventory checked - they could be a warning that a shoplifter has been at work.
- Checking displays for shopworn or torn packaging and removing it. Customers view damaged packaging as old or damaged goods. It contributes to a perception that the store is not current in its product selection.
- Making sure displays are full and organized. It is not a good idea to shift the height of shelves or the position of hooks to cover empty displays. This can destroy the organization and eye appeal of a display and make it difficult for customers to find the items they want. The best solution is to review inventory order quantities and make sure displays are never empty.
- Dusting merchandise, especially in departments where women frequently shop and that have a fashion element. Dusty merchandise equates to old, out-of-date merchandise.

SPECIFIC MERCHANDISING TECHNIQUES

- **Carts and Baskets** - Make shopping carts and baskets available at the entrance. People buy only what they can carry. Giving them a cart or basket encourages them to pick up more items. Because customers tend to shop until the cart or basket is full, they will stay in the store longer. It's a convenience customers expect.
- **Cross-Aisle vs Cross Merchandising** - In cross-aisle merchandising, both sides of a traffic aisle are used to display merchandise in the same department. The advantage is that customers can see a full range of product at one time. It creates the impression of a large department. This is not the same as cross merchandising. Cross merchandising is displaying products together that are used together even if they come from different departments. In some cases, this means displaying the same product in more than one place.
- **Dump Bins** - These power aisle displays are effective for promoting advertised specials, basic merchandise, one-time special buys or close-outs. They should be massed with product and signed. Color in the packaging or product will attract additional attention.
- **Eye-Level Displays** - The fastest moving, most profitable and attractive products should be displayed at the height at which they will be easily seen by customers. The level at which customers can reach out and pick up the product. It concentrates customer attention on key products. Slow selling, low margin items should be the most difficult to see and reach. It has been estimated that 80 percent of sales come from merchandise displayed between 40 and 60 inches above the floor - belt to eye level.
- **Feature Endcaps** - Display no more than three different items on the same endcap and be sure they are relat-

ed. Endcaps should be signed with price and feature/benefit information. Endcaps are effective for introducing new products, promoting seasonal merchandise or suggesting projects. Try to include product knowledge or project how-to information on the endcap. Endcaps should be changed every two weeks. An effective way is to change a few endcaps every few days so that all are changed in a two-week period. Changing displays increases customer interest.

- **Fronting** - This is simply making sure products are pulled to the front of the shelf, hook or bin. This puts product in front of the customer, makes effective use of product color or packaging and reinforces a complete in-stock image.

- **Hands-on Displays** - Customers like to feel and handle merchandise. This is especially important as more and more consumers use computers to search the Internet for information. They may know what a product looks like and what it should cost before they arrive at the store. Once in the store, they want to pick up a product, feel it, use it before deciding to buy. Sample items should be displayed out of their boxes near packaged stock.

- **Impulse Displays** - Techniques include feature endcaps, dump bins, movable racks and stack displays. They can move massive amounts of advertised and promoted merchandise as well as special one-time buys and close-outs. They are most effective in high-traffic areas.

- **Like Items** - Like items are similar products with the same end use. Displaying these items together lets customers see the full range of products and make the best purchase decision.

- **Point-of-Purchase Materials** - Informational materials, including signs, brochures, product information sheets, etc. should be included with appropriate merchandise. Giving customers reasons to buy at the point of sale can increase sales several times over.

- **Product Use** - Make sure items are displayed in a way that illustrates their proper use. Very knowledgeable do-it-yourselfers or professional customers will notice immediately if a product is displayed incorrectly.

- **Project Displays** - How-to merchandising gives customers ideas and suggestions on how to carry out the ideas. Vignette, shop or store-within-a-store displays present products the way consumers want to buy them. These displays show customers how they can use products at home. They combine merchandise from several departments and make the merchandise easy to see and touch.



Project Display

These displays are more relaxed than packaged merchandise on shelves.

- **Related Items** - Related items are products that can be used together. Customers tend to buy additional items when they see them next to each other.

- **Vertical vs Horizontal Merchandising** - Vertical merchandising displays items in vertical rows by



Related Items

color, type, manufacturer or end use. The most popular items should be at eye level. Vertical merchandising lets customers see the maximum amount of merchandise at one time. If sizes are involved, the largest items should go on the lower shelves. In the case of color, mass products of the same color together. Occasions when horizontal merchandising can be effective include products that come in several types and each type in several sizes. In those cases, the solution is to combine vertical and horizontal - sizes stocked vertically, types horizontally. An example would be plumbing fittings. Another use of horizontal merchandising could be called sequence of use. This would involve stocking items in the order in which they are used to complete a project. An example would be materials for a painting project.

- **With-On Displays** - This technique combines a promotional low-profit item with a related high-profit item. The low-profit item with a good price attracts customer attention. The display suggests the second higher-profit item as an add-on sale.

Merchandising Checklists

DISCIPLINED MERCHANDISING STRATEGIES

MERCHANDISING GUIDELINES

- Give high demand items prime space. High demand departments and service areas draw customers through the store.
- Highlight special promotions, top-selling items and new products on feature endcaps.
- Remerchandise promotional and impulse displays on a regular schedule.
- Group product lines in vertical displays.
- Feature top-of-the line items prominently.
- Put slow-moving items in display areas farthest from customers' reach.
- Follow a logical-use sequence in setting up horizontal groupings of related items.
- Use cross-aisle merchandising for maximum product exposure.
- Display related items together.
- Use cross merchandising to promote related items from different departments.
- Use point-of-sale signs to draw attention to merchandise and provide product and price information.
- Integrate vendor-supplied displays and point-of-sale materials into the total salesfloor design.
- Take advantage of color in products and packaging.
- Tailor background colors to enhance, not overshadow, merchandise.
- Use lighting to draw attention to merchandise.
- Keep displays neat, clean and full.

EVALUATING MANUFACTURER DISPLAY UNITS

- Does the display duplicate merchandise lines already in the store?
- How much merchandise must the retailer buy to get the display unit?
- Is visual emphasis on the product or does the factory name dominate?
- Does it contain reordering information?
- Is it stable and safe... no sharp edges or corners?
- Will it complement the overall store appearance?
- Is it easy to assemble and move?
- Will it—should it—dominate the department?

Glossary of Merchandising Terms DISCIPLINED MERCHANDISING STRATEGIES

CROSS-AISLE MERCHANDISING - Displaying related merchandise on facing shelves.

CROSS MERCHANDISING - Displaying products together that are used together; is especially effective for related items normally stocked in different departments.

DEPARTMENTAL LEAD-IN - Items with greatest impulse value displayed on the edge of the shelf and near the main traffic aisle to draw customers into the aisle.

DISPLAY BOARD - Board or panel displaying assembled merchandise; effective in showing customers how merchandise is used or how projects can be completed.

EYE-LEVEL MERCHANDISING - Displaying the fastest selling and most profitable merchandise from waist to eye level - 40 to 60 inches above the floor.

FACING - The number of similar products exposed on a shelf; the number of facings relates to sales demand.

FEATURE ENDCAP - Prime display space on any salesfloor. Use for promotional items, specials, advertised items, seasonal items, new items, impulse merchandise.

FRONTING - Pulling merchandise to the front of the shelf, hook or bin.

GROUPING - Organizing merchandise in logical groups such as color or related uses.

HANDS-ON DISPLAYS - Removing items from packages so customers can handle or use the product before buying it.

HORIZONTAL MERCHANDISING - Used primarily for merchandise such as bolts, pipefittings, electrical sundries that comes in a wide selection of sizes. These items should be merchandised vertically by size and horizontally by type or use.

IMPULSE DISPLAYS - Dump bins, movable racks, stack displays and feature endcaps that promote seasonal items, special buys, advertised specials, new products, close-outs or price specials in power aisles and other high-traffic locations.

LEFT-TO-RIGHT - Used for merchandise of different sizes. Smallest sizes are at the upper left of the display; largest sizes at lower right. Lets customers move through the assortment as though they were paging

through a book.

LIKE ITEMS - Similar products with the same end use.

PLATFORM - Flat display unit used to display seasonal or bulky merchandise.

PROJECT DISPLAYS - Merchandise related to a single project displayed with informative signs, how-to brochures and other informative material.

RELATED ITEMS - Products that are used together.

SAMPLING - Putting one item in its designated area to check spacing, arrangement and overall effect before all items are stocked.

SHELF PROFILE - Refers to the width of shelves, the distance between them and whether they are straight or inclined.

VERTICAL MERCHANDISING - Displaying related product categories in vertical sections. Gives customers full view of related merchandise in one spot and encourages related item sales. Largest items displayed on lower shelves.

Departmental Merchandising Tips DISCIPLINED MERCHANDISING STRATEGIES

Each department in a hardware/home improvement store has special merchandising needs. The following paragraphs highlight some of the merchandising techniques that should be considered in core departments. Charts on pages 41 and 42 show industry benchmarks that can be used to evaluate the productivity of each department.



Fasteners are a prime category for vertical and horizontal merchandising. Showing sizes vertically and types of fasteners horizontally simplifies selection for customers.

this department is grouping related items.

- Combine bulk and packaged merchandising for categories such as screws, nails, bolts and other fasteners.
- Take advantage of packaging and display programs available from vendors.
- Combine related item and vertical merchandising for items such as door locksets, entry sets, dead bolts, chain door guards, etc.
- Create a home security department.

HAND AND POWER TOOLS

Shoppers like to handle tools. They need information

HARDWARE

Merchandising the hardware department can be a challenge because of the great variety of items. Organization is key and the primary merchandising technique for

about how to use tools properly and safely and suggestions about appropriate accessories. This department should focus on how tools are used and what accessories should be used with them.

- Space tools so there is enough room for customers to take them off the display.
- Use vertical merchandising to show different models in each tool category.



Put the product in the customers' hands and they will buy. Hands-on merchandising works well for power tools.

- models set up for customer use.
- Consider feature endcaps for project displays.
- Provide how-to project brochures.

PLUMBING

Plumbing is primarily a service department which lends itself to related item and how-to merchandising.

- Separate fashion or decorating items such as faucets from service items such as fittings.
- Highlight fashion merchandise as part of a remodeling project or create shop or vignette displays.

- Merchandise power tools with accessories.
- Set up in-use displays and provide a means for customers to use the tools.
- Display boxed power tools with



Fashion items should be displayed in an in-use or decorative setting while service items should be organized by size and type.

- Organize service items as they will be used, putting related items close to each other.
- Combine vertical and horizontal merchandising for fittings and repair parts that are made of several materials and come in many sizes.



Vertical/horizontal merchandising is effective for service-oriented electrical products.

- Coordinate water systems and pumps with installation tools and materials.
- Provide how-to information on common household repair projects.

ELECTRICAL

Electrical combines impulse items such as light bulbs with service items such as wiring devices.



Like items are similar products with the same end use. Displaying these items together is effective for paint and decorating department.

Merchandising considerations include bulk vs packaged items, related items and how-to information.

- Use vertical and horizontal merchandising for items in different sizes.
- Keep carded products in neat, orderly rows and types.
- Promote consumables such as light bulbs, flashlights and batteries.
- Group fashion or home décor items such as lighting fixtures, globes, lamp parts and decorative switch plates together.
- Provide how-to signs, brochures and other information.

PAINT AND DECORATING

Paint and decorating products lead to projects. Merchandising should suggest decorating ideas as well as provide products and how-to information. Couples and families shop in this department and will spend time there planning their projects. Techniques include project centers, mass display, image display and finished-product display.

- Have a sit-down area with books, magazines and electronic planning assistance.
- Display samples of decorating materials.
- Color coordinate decorating materials and accessories.
- Show paints, stains and other decorating materials in use.
- Mass display paint.
- Promote custom color matching.
- Merchandise painting tools and sundries near paint and the paint mixing area.
- Group products by end use - for example, paint thinners and removers together, patching materials together.
- Use eye-level display to promote better grades of painting supplies and materials.

LAWN AND GARDEN

Seasonality is a key merchandising factor in the lawn and garden department. Although core products, such as steel goods, are displayed year-round, seasonal merchandise is moved in quickly, promoted heavily and moved out. Merchandising techniques differ for the two types of products.



Merchandising in the lawn and garden department should take advantage of seasonal needs to promote impulse buys.

- Merchandise seasonal items in high traffic areas with promotional signing.
- During the season, assemble large items such as lawn mowers, snow blowers, wheelbarrows and garden carts.
- Group year-round lawn and garden tools by type.
- Group related items together - for example, garden hose

with sprinklers; work gloves with garden tools.

- Group like products such as ready-to-use herbicides or insecticides together by end use.
- Provide use information with lawn and garden chemicals.
- Use sample boards to display bulk goods such as fencing which can be supplied from an outside stocking area.

LUMBER/ BUILDING MATERIALS

The major merchandising issue for lumber and building materials is the customer who buys them. In home centers and lumber/building materials outlets, homebuilders, contractors and other professionals buy in commodity quantities. Do-it-yourselfers usually want to plan a major remodeling project or pick and choose a few items for a



Project merchandising is highly effective for lumber and building materials. Project displays show a variety of materials plus how-to information.

repair project. Hardware stores, if they sell lumber and building materials at all, offer a limited convenience selection.

- Provide help in planning projects.
- Make how-to project information available.
- Use signing to suggest tools and materials needed to complete a project.
- Create displays that suggest home improvement projects.
- Offer installation or professional services.
- Have a special service desk or area for professional customers.

Percent of Net Sales by Department DISCIPLINED MERCHANDISING STRATEGIES

	HARDWARE STORES	HOME CENTERS	LUMBER/BUILDING MATERIAL OUTLETS
HARDWARE	18%	8%	12%
HAND & POWER TOOLS	12%	10%	7%
PLUMBING	17%	8%	7%
ELECTRICAL	14%	7%	5%
PAINT & HOME DECORATING	15%	8%	8%
LAWN & GARDEN	18%	8%	3%
LUMBER	NA	20%	32%
BUILDING MATERIALS	NA	16%	25%

SOURCE: *Do-It-Yourself Retailing*, MarketMeasure 2003

Percent of Salesfloor by Department

	HARDWARE STORES	HOME CENTERS	LUMBER/BUILDING MATERIAL OUTLETS
HARDWARE	18%	14%	20%
HAND & POWER TOOLS	13%	13%	14%
PLUMBING	15%	15%	7%
ELECTRICAL	14%	11%	6%
PAINT & HOME DECORATING	11%	10%	15%
LAWN & GARDEN	18%	12%	5%
LUMBER	NA	13%	10%
BUILDING MATERIALS	NA	13%	16%

SOURCE: *Do-It-Yourself Retailing*, MarketMeasure 2003

Gross Margin by Department DISCIPLINED MERCHANDISING STRATEGIES

	HARDWARE STORES	HOME CENTERS	LUMBER/BUILDING MATERIAL OUTLETS
HARDWARE	46%	43%	39%
HAND & POWER TOOLS	36%	30%	26%
PLUMBING	46%	41%	37%
ELECTRICAL	44%	37%	37%
PAINT & HOME DECORATING	37%	35%	31%
LAWN & GARDEN	39%	32%	25%
LUMBER	NA	26%	23%
BUILDING MATERIALS	NA	27%	26%
STOREWIDE GROSS MARGIN	38%	30%	26%

SOURCE: *Do-It-Yourself Retailing*, MarketMeasure 2003
National Retail Hardware Association and Home Center Institute, *2002 Cost of Doing Business Study*

Sales-to-Inventory Ratio by Department

	HARDWARE STORES	HOME CENTERS	LUMBER/BUILDING MATERIAL OUTLETS
HARDWARE	3.8 X	5.0 X	5.3 X
HAND & POWER TOOLS	3.7 X	4.4 X	6.3 X
PLUMBING	3.8 X	5.7 X	6.8 X
ELECTRICAL	4.0 X	7.9 X	6.0 X
PAINT & HOME DECORATING	3.5 X	5.0 X	5.7 X
LAWN & GARDEN	4.5 X	5.0 X	6.1 X
LUMBER	NA	4.7 X	8.2 X
BUILDING MATERIALS	NA	4.5 X	7.4 X
STOREWIDE SALES-TO-INVENTORY RATIO	4.0 X	5.8 X	7.3 X

SOURCE: *Do-It-Yourself Retailing*, MarketMeasure 2003
National Retail Hardware Association and Home Center Institute, *2002 Cost of Doing Business Study*

What Customers Want

DISCIPLINED MERCHANDISING STRATEGIES

One of the ways merchandising improves sales is making a retail store more appealing to customers, which is another way of saying meeting customer satisfaction demands. These demands differ between do-it-yourself and professional customers.

In recent years, the Russell R. Mueller Retail Hardware Research Foundation conducted two customer satisfaction studies. One identified elements of shopping that appeal to do-it-yourself customers; the other focused on professional customers. The findings of those studies are outlined here.

DO-IT-YOURSELF CUSTOMER SATISFACTION FACTORS

Help the customer save money

- Store offers low everyday prices
- Has a no-hassle return policy
- Is easy to mix and match products with custom packaging, knowledgeable employees and variety of merchandise

Help the customer save time

- Is easy to get fast answers from knowledgeable employees
- Is easy to find products

- Departments are well organized and signed
- Is easy to get to the store

Help the customer understand

- Store provides ways for the customer to learn, to plan and is a source of ideas
- Offers classes, clinics, workshops, shows, demonstrations
- Books, catalogs, brochures and videos are readily available
- Knowledgeable employees can help plan projects
- Have access to interactive technology

Create one-stop shopping

- Store is in stock with the products it says it sells
- Has innovative and quality products, a variety of brands and price points
- Has informative displays, the latest technology and knowledgeable employees

Make shopping easier

- Checking out is fast and efficient
- Is easy to find and reach items
- Aisles are wide and uncluttered
- Parking lot is easily accessible and safe
- Is easy to shop with a family

Make shopping enjoyable

- Employees are knowledgeable, courteous and helpful
 - Store is well designed, clean, comfortable and relaxing
- Offer special services**
- Preferred services include delivery, cutting and installation

SOURCE: Russell R. Mueller Retail Hardware Research Foundation, *Defining Customer Satisfaction for the Do-It-Yourself Customer*

PROFESSIONAL CUSTOMER SATISFACTION FACTORS

Offer quality products

- Quality is consistent regardless of product
- Offers manufacturer warranties
- Has readily available parts and accessories
- Stocks recognizable brands

Provide dependable and complete delivery

- Delivers a complete and accurate order when promised
- Submits accurate and easily-read invoices
- Has consistent product and brand offering

Help the customer make money

- Has competitive, consistent, guaranteed lowest price
- Offers contractor discounts
- Offers customer accounts

Help the customer save time

- Guarantees quick delivery
- Has sufficient product in stock
- Has convenient location for quick one-stop shopping
- Offers electronic ordering

Provide product support

- Has wide variety of products and brands
- Carries the complete line of a brand
- Will special order

Conduct business in a professional manner

- Has courteous employees

Respect professional customers and their relationships with their customers

- Has a showroom and separate contractor service desk
- Will make policy exceptions in emergencies

Provide in-depth knowledge

- Knows products needed for a job
- Knows product performance
- Knows about new products
- Knows product pricing and availability
- Offers rebates
- Offers classes and seminars

Develop personal relationships

- Visits job sites and helps solve problems
- Knows what products the customer uses
- Dedicates a salesperson to each account
- Salespeople are accessible

SOURCE: Russell R. Mueller Retail Hardware Research Foundation, *Building a Professional Relationship*



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