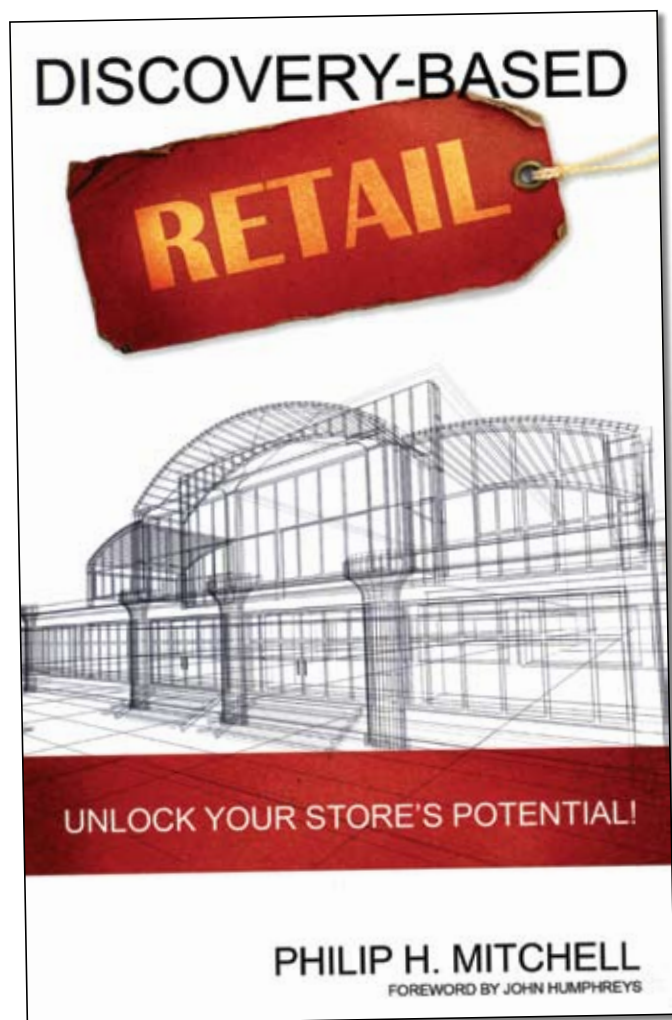


Discovery-Based Retail



Book Title: Discovery Based Retail

Author: Philip Mitchell

Publisher: Bascom Hill Publishing Group

Publication: 2008

Where to Find: The NRHA Book Store (www.nrha.org) or Amazon.com

How long has it been since you took a good, long objective look at your store? Have you ever wondered what steps can be taken to evaluate your store through your customers' eyes? Then, after pinpointing the key elements of the customer experience, how can those elements be improved to enhance your store's profitability?

In his new book, "Discovery-Based Retail," Philip Mitchell encourages readers to start looking at facets of their retail operations through a new set of filters. He makes the case that by looking through what in essence will be new eyes, retailers can discover new perspectives that can unlock your store's potential.

Focus on Home Improvement Retailing

The author begins "Discovery-Based Retail" with a short historical perspective of hardware retailing, then

Mitchell writes that many retailers mistakenly identify transaction count as customer count, when the difference lies in the conversion rate. **Knowing your store's conversion rate is a great first step in identifying how well your store is performing in regard to meeting customers' needs or expectations.**

moves rapidly into a fast-paced series of ideas and systems regarding various aspects of retail operations. He draws upon his experience of years in retail management and wholesale distribution in the home improvement industry to offer new perspectives to challenge the reader to break free of "business-as-usual" thinking.

Retailers operate in an increasingly competitive environment, and to be successful you must have a comprehensive plan that addresses the key issues to increasing sales. Mitchell states that there are only two ways in which a retailer can develop additional business: attract and develop new customers, or sell more to current customers. Although the author underscores the point that the latter may be more readily achievable, he suggests ways to improve business from both opportunity groups.

For example, in the chapter titled "Discovering: Potential in Existing Customers" Mitchell isolates the following five key elements in improving business with existing customers who regularly visit a store:

1. Increase the frequency of same customer visits
2. Increase shopping time during those visits
3. Increase margin dollars per ticket
4. Increase line count per ticket
5. Increase conversion rate

Mitchell writes that many retailers mistakenly identify transaction count as customer count, when the difference lies in the conversion rate. Knowing your store's conversion rate is a great first step in identifying how well your store is performing in regard to meeting customers' needs or expectations. He also details how simple things like proper cross-merchandising, impulse item merchandising, communicative signage and properly trained personnel are the tools to increase conversion rate.

Since no store appeals to every shopper, it is critical that retailers identify their target customer. Mitchell's contention is that once the target customer identification process is completed

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pleasing those customers becomes much easier to accomplish.

Salesfloor Design

In another chapter titled "Discovering: A Better Floor Plan Design" the author outlines with great detail his thoughts on interior store design, which is obviously one of his passions. Store design is not just about making a store look pretty, he states, but rather must include elements of science and research to ensure that it functions at its highest level. Mitchell guides the reader through a system by which they can determine how effectively their store's sales space is being used, underscoring the point, for example, that if only 7,000 square feet of an 8,000-square-foot store is being regularly shopped, there is opportunity (and potential sales) being left on the table.

Mitchell uses a measuring system called PDQ, which stands for Penetration and Dispersion Quotient. PDQ is a scientific measurement of how shoppers move through a store's salesfloor space. It is used to measure the effectiveness of changes implemented to a floor plan by comparing and contrasting before-and-after shopping patterns. There are also photos of what the author characterizes as right and wrong ways to improve retail traffic flow by the means of an improved floor plan design. In this section he addresses fixture height and aisle width to give readers a better understanding of how to improve sales-floor productivity.

Salesfloor Productivity

This segues into a chapter titled "Discovering: Better Floor Sales Productivity," which introduces a concept called "Space and Inventory Enhancement." While the previously mentioned chapter on floor layout deals with facilitating the movement of people through a sales environment, this chapter deals with the productivity of a store's individual departments. Some departments will always produce more sales per square foot than others, but Mitchell makes



When Mitchell works with a retailer on store design, the process begins in two dimension. Then the image is "raised" using 3d modeling software. Once that is completed a near-photo-quality image rendering is produced of both the interior and exterior of the project. For more information, contact Mitchell at (888) 292-6531 or visit the Web site at www.discoverdbr.com

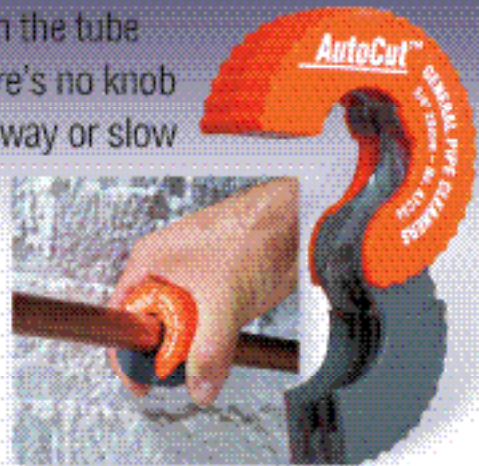
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the point that the closer you can move to a unity balance of sales per square foot between departments the more opportunities you can leverage. For example, when the plumbing department of a hardware store is producing at a much higher rate per square foot than other departments, it makes sense to consider “harvesting” space from under-performing departments to expand it. Mitchell also offers space and inventory enhancement tools he has created to help retailers work their way through the process and make these complex decisions easier.


Customer Service

If you have a strong background in retail fundamentals some points of “Discovery-Based Retail” will connect with you immediately. However, don’t skip a page thinking you might know what’s coming next, for each chapter is loaded with unique ideas

Space Productivity Ratio							Inventory Holding Ratio	
Department	Sq. Feet	Inventory	Sales	Sales Per Ft.	SPR	Inventory Per Ft.	IHR	
Automotive	78	\$ 680	\$ 2,746	\$ 35	24.32%	9	32.86%	
Floor	4265	\$ 82,757	\$ 766,310	\$ 179	123.52%	19	72.36%	
Electrical	308	\$ 7,333	\$ 23,696	\$ 77	83.14%	24	89.21%	
Hand Tools	240	\$ 8,908	\$ 51,393	\$ 214	147.92%	37	139.04%	
Hardware	1057	\$ 31,809	\$ 148,252	\$ 139	95.97%	30	111.70%	
Household	84	\$ 2,447	\$ 11,973	\$ 143	98.45%	29	109.15%	
Lawn/Garden	103	\$ 5,327	\$ 26,092	\$ 253	114.97%	52	193.78%	
Fashioners	431	\$ 33,859	\$ 115,072	\$ 267	154.47%	79	299.33%	
Paint/Sundries	1078	\$ 42,815	\$ 123,026	\$ 114	95.94%	40	148.53%	
Plumbing	1887	\$ 29,478	\$ 95,380	\$ 51	34.93%	16	58.53%	
Power Tools	93	\$ 7,981	\$ 26,429	\$ 284	195.81%	86	321.54%	
Power Tool Acc.	97	\$ 6,878	\$ 20,971	\$ 219	149.32%	71	265.62%	
Service Areas	0	\$ -	\$ -					
Sub Totals	9748	\$ 260,170	\$ 1,411,340					
Totals							26.99	5.42
Discovery-Based Retail							www.discoverdbr.com	

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Floor	3000	\$ 82,757	\$ 766,310	\$ 255	99.80%	16	58.52%	
Electrical	173	\$ 7,333	\$ 23,696	\$ 135	61.52%	42	157.50%	
Hand Tools	350	\$ 8,908	\$ 51,393	\$ 147	101.42%	25	95.41%	
Hardware	1050	\$ 31,809	\$ 148,252	\$ 141	97.52%	30	113.51%	
Household	84	\$ 2,447	\$ 11,973	\$ 143	98.45%	29	109.15%	
Lawn/Garden	173	\$ 5,327	\$ 26,092	\$ 149	102.98%	30	114.05%	
Fashioners	750	\$ 33,859	\$ 115,072	\$ 152	105.13%	45	168.20%	
Paint/Sundries	850	\$ 42,815	\$ 123,026	\$ 143	96.94%	50	188.09%	
Plumbing	850	\$ 29,478	\$ 95,380	\$ 147	101.35%	45	169.92%	
Power Tools	180	\$ 7,981	\$ 26,429	\$ 147	101.41%	44	166.13%	
Power Tool Acc.	150	\$ 6,878	\$ 20,971	\$ 140	96.56%	46	171.80%	
Service Areas	0	\$ -	\$ -					
Sub Totals	9748	\$ 260,170	\$ 1,411,340					
Totals							26.99	5.42


On Mitchell’s Web site, www.discoverdbr.com, is a downloadable calculator to help retailers realign floor space to balance inventory/space productivity. While Mitchell suggests that higher producing departments should be given more square footage, where should that space come from? And what happens to sales per square foot with the remaining space? This calculator can make suggestions as to how inventory might be beneficially realigned. For more information, go to www.discoverdbr.com/calculator.htm.




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and perspectives that may have you questioning some of your long-held beliefs. For example in Chapter 7, titled "Discovering: The Meaning of Customer Service," Mitchell effectively reframes and even offers a new definition to readers: "Customer Service is the sum of all acts and elements that allow consumers to receive what they need or desire from your retail establishment," he writes. At first the apparent broad nature of his definition may not resonate with some readers, but by the time you have completed the chapter, you will undoubtedly emerge with a brand new perspective of what you expect of yourself and your employees in regard to customer service.

Another concept he introduces is identifying your store's "slot type." In Chapter 8, titled "Discovering: A Slot for Success," Mitchell provides direction for determining how a store fits into its "retail arena." He makes the case that unless you know how and why your store should thrive in its element, that you will eventually overlook opportunities and make wrong assumptions. He identifies and provides an overview for five "store slot" types, including: "convenience store, regional competitor store, destination store, price-driven niche store and product-driven niche store." He then describes in great detail how knowing your store's slot type can aid you with decisions regarding pricing, hours of operation, advertising venues and several other aspects of operation.

"Discovery-Based Retail" also has chapters dealing with lighting and communication, advertising, pricing, assessing your store's competitive position and several other topics. Throughout all of the chapters Mitchell offers ideas, matrixes and spreadsheet functions to assist readers with the assessment processes. He also leads the reader through in-depth looks at various aspects of retail operations and then concludes each chapter with "key points" and "action steps." While the key points underscore the importance of certain elements covered in the respective chapters, the action steps should be particularly

beneficial for busy retailers who want to implement the ideas that he describes.

Mitchell's laidback writing style makes "Discovery-Based Retail" easy to read and comprehend. He writes from a perspective of many years of experience in retail and wholesale operations. But perhaps the most unique thing about Mitchell's book is that it is written from an insider's

perspective on home improvement retailing. Although he makes the point that his ideas are valid in many retail genres, it is good to read something so specific to the hardware and home center industry.

For more information on Philip Mitchell or "Discovery-Based Retail" go to www.discoverdbr.com.

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