

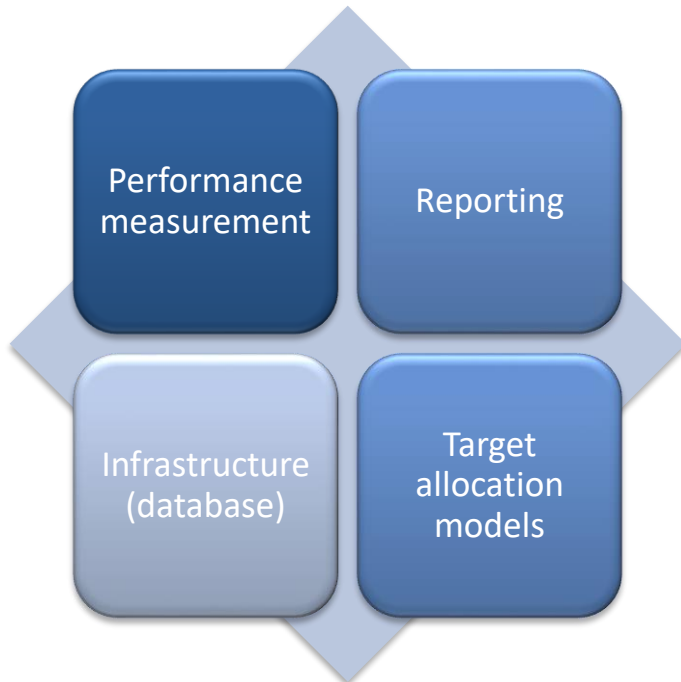
# Retail Stores Network

## Target Setting & Performance Measurement

Principles, guidelines and the tools to start with.

# Retail Stores Network – Target Setting & Performance Measurement

## What this presentation is all about



- This presentation is a **practical guide** for those involved in setting targets and measuring the performance of a retail stores network.
- It provides principles and guidelines on the four inseparable sections listed aside, providing at the same time the following practical tools:
  1. sample reporting forms,
  2. an elementary template for building Target Allocation Models,
  3. an introductory database (in MS Access format) to fill in your network, products, targets and sales figures that creates a predesigned sales report for your stores. Although simplified, this database and accompanying sales report can cover your needs for quite some time.
- It also tackles some more advanced topics such as:
  - upgrading from a gravities to a credits method to maximize your stores' revenues,
  - guidelines for advanced Target Allocation Models.

# Retail Stores Network – Target Setting & Performance Measurement Overview

## Performance Measurement

- The overall store performance is the most important KPI in your methodology and it must be defined properly. We will see how this can be done by using the **gravities** and the **credits** approaches.
- We will highlight the differences regarding the targeting periodicity.

## Reporting

- A comprehensible and concise sales report is absolutely necessary.
- We will emphasize its essential components.
- We also provide a predesigned sales report that is automatically produced from the accompanying database (see below).

## Infrastructure (database)

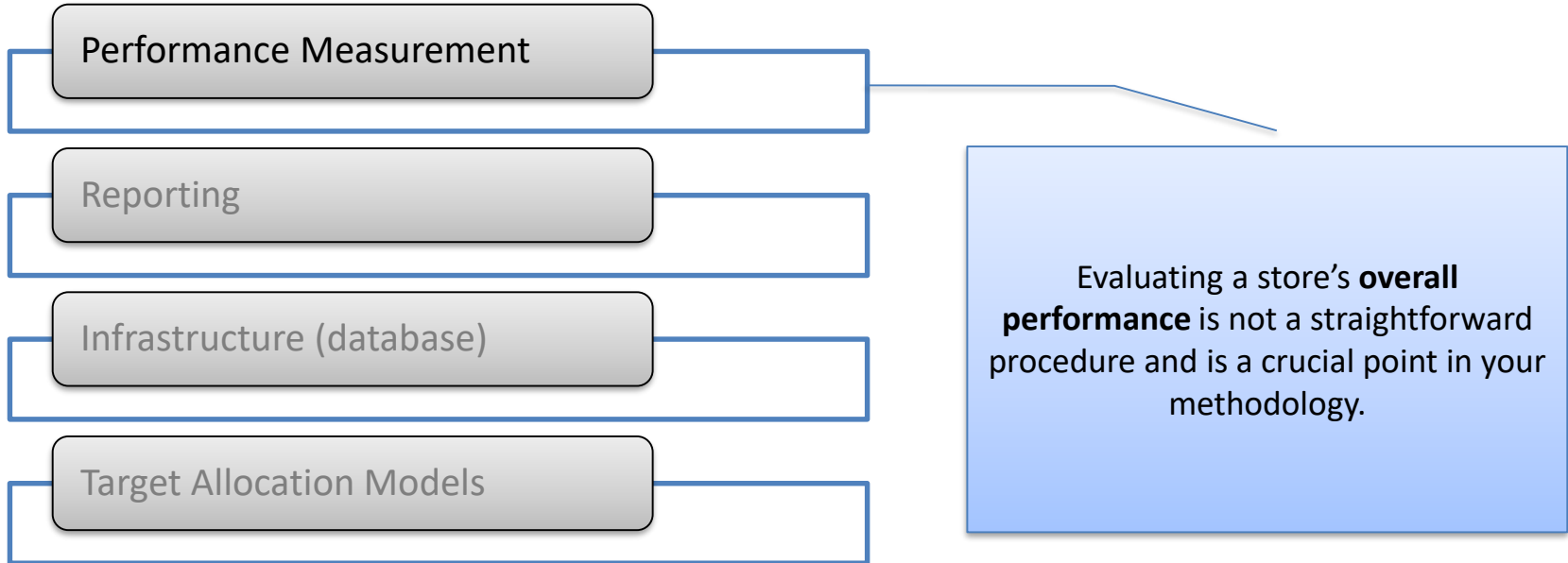
The above elements require an infrastructure that at least includes a flexible and scalable relational database and a reporting tool. We provide an introductory MS Access database, just to help you get started.

## Target Allocation Models

A TAM must be built for every product so as to optimally split its overall target to the stores. We sketch a generic framework and provide an elementary template to help you combine the various product specific parameters.



## Retail Stores Network – Target Setting & Performance Measurement

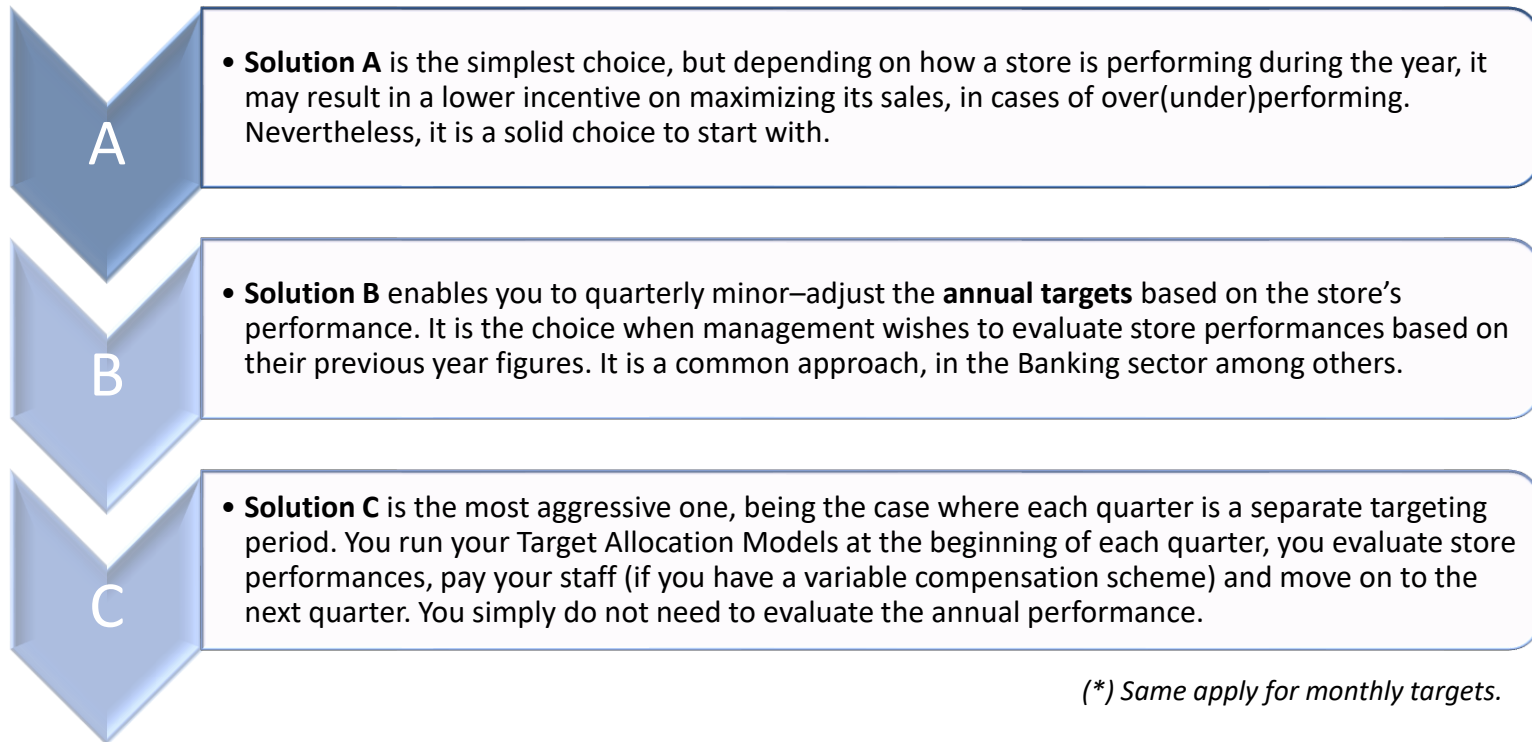


# Retail Stores Network – Target Setting & Performance Measurement

## First things first: A very important question

Assuming you have the option, a question to ask yourselves before diving into the performance measurement's technicalities is whether you should set:

- A. Annual targets** that will obviously result in an annual store performance
- B. Annual targets**, split and communicated in quarters\* that will also result in an annual performance
- C. Quarter targets\*** with quarter\* store performance, but no annual performance



(\*) Same apply for monthly targets.

# Retail Stores Network – Target Setting & Performance Measurement

## Performance measurement

**Q:** Is it difficult to measure a store's performance?

**A:** Well, depending on the choices you have made, this just might be the case!

### Easy case

Calculate store's annual performance by combining the annual performances of the targeted products with gravity weights.

### Difficult case

Calculate store's annual performance while setting quarter targets and using credits as a figure of merit.

Letting aside the annual vs quarter targets issue, we will focus on the two proposed ways of combining the product performances:

#### Gravity weights

- Each product has its own weight
- Same weights for all stores

#### Credits

Targets and sales are measured in credits which correspond to the expected net profit per product/service



# Retail Stores Network – Target Setting & Performance Measurement Gravities

- In the following very simple example, we have a network of stores with **annual targets (Solution A)** in only three products.
- Each product has its own gravity, i.e. its weight in the overall performance evaluation.
- **The same gravities apply to all network stores, regardless of their differentiations.**

| Product   | Target | Target type      | Sales  | Performance | Gravity    |
|-----------|--------|------------------|--------|-------------|------------|
| Product 1 | 1,000  | Units            | 800    | 80%         | 20         |
| Product 2 | 20,000 | Balance increase | 25,000 | 125%        | 30         |
| Product 3 | 500    | Units            | 300    | 60%         | 50         |
|           |        |                  |        |             | <b>100</b> |

The store's annual **overall performance** is simply the weighted average of the product performances:

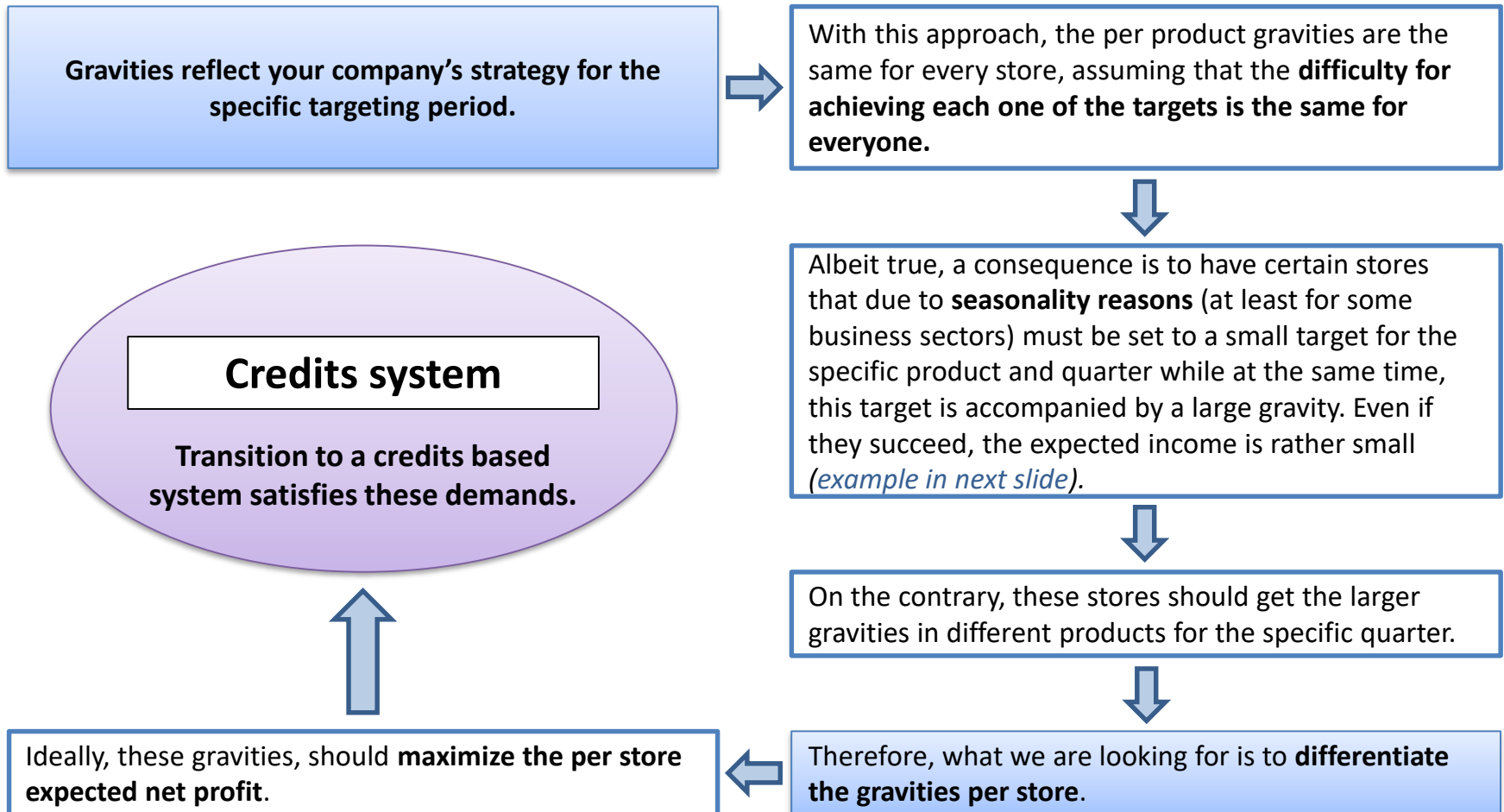
$$OP = 80\% * 20 + 125\% * 30 + 60\% * 50 = 83.5\%$$

***Note:** Were you to adopt **Solution B**, you'd probably also have a per quarter set of gravities. Such a case, the overall performance would also be based on a weighted average of the gravities as well (see [slide](#) with Solution B sample 1 report).*



# Retail Stores Network – Target Setting & Performance Measurement

## Gravities to Credits





# Retail Stores Network – Target Setting & Performance Measurement

## Gravities to Credits Example

- Consider two bank branches A and B, of **equal size**, A located in an urban area and B located in a summer touristic area, with **high seasonality**. Also consider 1<sup>st</sup> quarter targets for only two products (increase in deposits balances and number of new POS contracts).
- Due to seasonality, branch B in the summer touristic area receives for the 1<sup>st</sup> quarter a smaller target in deposits increase compared to the equal sized branch A and a bigger one regarding the POS contracts.

- We assign, a specific number of credits to each new sale or balance increase.
- This way, the discrete in their nature targets become comparable.
- The implicit gravity equals the ratio of the product credits to the overall credits.
- Ideally the credits should (to some extent) emerge from branch profitability models.

| 1 <sup>st</sup> Quarter targets   | Branch A<br>(urban) | Branch B<br>(touristic) |
|---|---------------------|-------------------------|
| Deposits increase<br>(in €)   | 500,000             | 250,000                 |
| <b>In credits:</b> 20 per 1.000 € increase<br>(implicit gravity weight) | 10,000<br>(71.4%)   | 5,000<br>(41.0%)        |
| New POS contracts   | 50                  | 90                      |
| <b>In credits:</b> 80 per new contract<br>(implicit gravity weight)     | 4,000<br>(28.6%)    | 7,200<br>(59.0%)        |
| <b>CREDITS TOTAL</b>  | <b>14,000</b>       | <b>12.200</b>           |

- Branch A receives an overall bigger target (14,000 credits) for the 1<sup>st</sup> Quarter than the equally sized Branch B.
- While the main target has to do with the deposits (15,000 credits for both branches), the implicit gravity of branch B for the new POS contracts is larger (59,0%) for the 1<sup>st</sup> Quarter (as desired).
- A reversed situation is expected to take place at 3<sup>rd</sup> Quarter.



# Retail Stores Network – Target Setting & Performance Measurement

## Credits: Basic Principles

Credits are related to:

- a) **Your company's strategy for the targeted period,**
- b) **The expected net profit per product,**
- c) **The promotion difficulty of each product.**

Due to **b**, the credits approach obviously leads to net profit maximization.

**How are credits defined?**

This question exceeds the scope of this presentation. In general however, credits should adhere to your product profitability models. Difficulty varies for products and business sectors and in some cases special algorithms may be required (e.g. present value models in the banking sector).

As mentioned before, the credits approach corresponds to **discrete gravity weights per store**:

The product gravity equals to the ratio of the product target (in credits) to the overall store target (in credits).

The store's **overall performance** equals to:

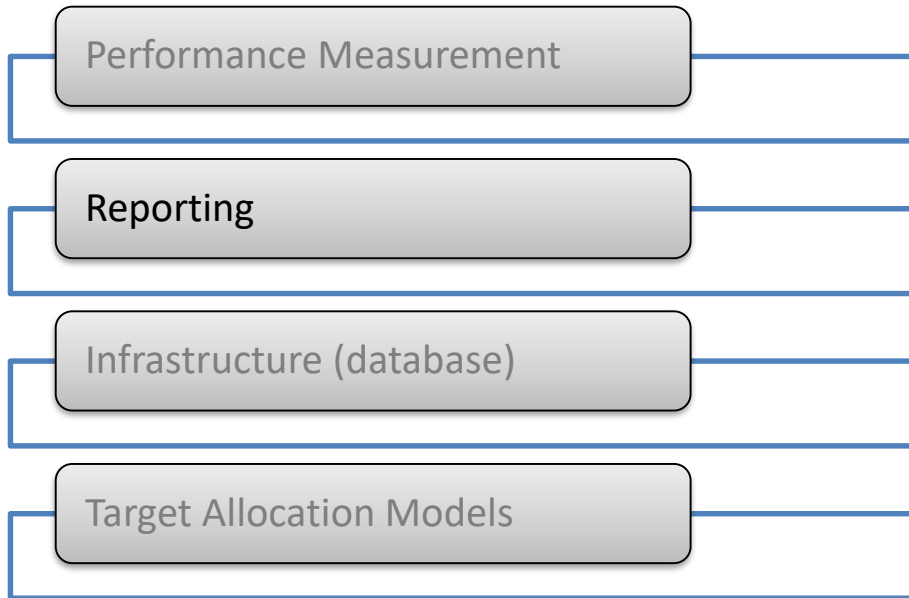
The ratio of the sum of all product sales (in credits) to the overall store target (in credits).

### Extra benefits of using credits:

1. Stores can be ranked by their overall targets, in credits. You simply cannot do this by using gravities.
2. It is pretty straightforward to add extra products or sales rallies during a targeting period.
3. **Important:** You can easily, and you should, connect the overall performance to a variable compensation scheme, especially if you also set **individual targets**.

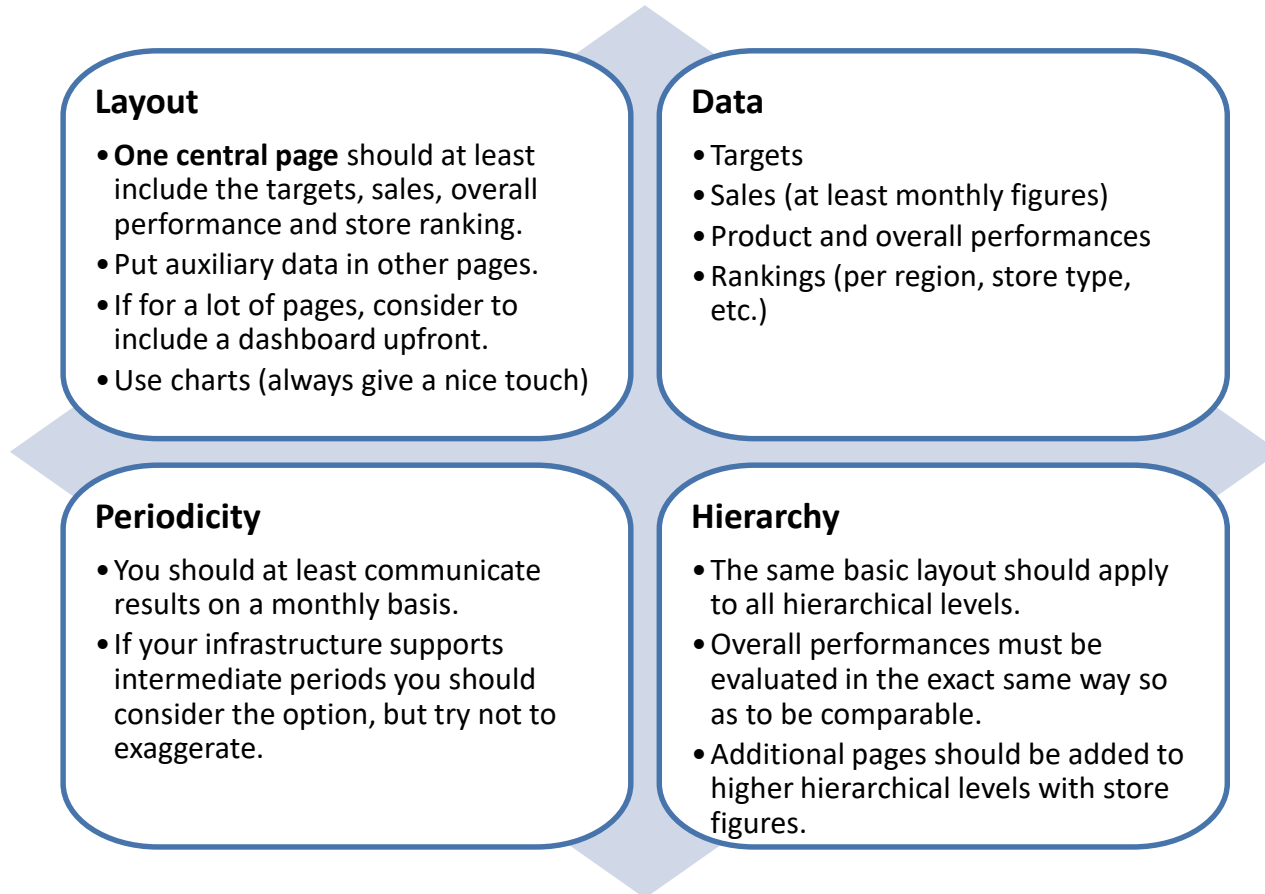


## Retail Stores Network – Target Setting & Performance Measurement



A concise, simple and easy to comprehend report is an essential component of your planning methodology.  
It serves as the fundamental communication tool to your network and requires your full attention.

# Retail Stores Network – Target Setting & Performance Measurement Reporting



In the following three slides, sample reports are presented that correspond to Solutions A and B (with gravities and credits), as described above. The more complex and interesting third one is being produced in Excel format from the accompanying database.



# Retail Stores Network – Target Setting & Performance Measurement

## Reporting: Solution A sample – Annual targets & gravity weights

### SALES REPORT (RESULTS AS OF 6/30/2017)

Annual targets and monthly sales

Products split in groups

STORE: S1 (101)

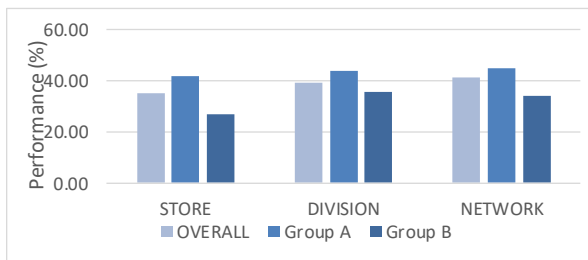
| TARGETS     |        | SALES   |          |       |       |     |      |     |       | PERFORMANCE     |         |                    |
|-------------|--------|---------|----------|-------|-------|-----|------|-----|-------|-----------------|---------|--------------------|
| Description | Target | January | February | March | April | May | June | ... | TOTAL | Performance (%) | Gravity | Performance points |

#### Group A

|          |                  |            |           |           |           |           |           |           |     |           |       |    |          |
|----------|------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----|-----------|-------|----|----------|
| Deposits | Balance increase | 170,000.00 | -7,306.00 | 21,280.00 | 11,868.00 | 18,128.00 | 16,031.00 | 27,404.00 | ... | 87,405.00 | 51.41 | 40 | 2,056.59 |
| Clients  | New clients      | 42         | 0         | 1         | 2         | 1         | 1         | 2         | ... | 7         | 16.67 | 15 | 250.00   |

#### GROUP B

|              |                        |         |    |    |    |    |    |    |     |     |       |     |          |
|--------------|------------------------|---------|----|----|----|----|----|----|-----|-----|-------|-----|----------|
| Web Banking  | New active subscribers | 1150.00 | 48 | 37 | 73 | 57 | 83 | 78 | ... | 376 | 32.70 | 25  | 817.39   |
| Credit cards | Issuing                | 405     | 16 | 14 | 13 | 13 | 9  | 17 | ... | 82  | 20.25 | 20  | 404.94   |
|              |                        |         |    |    |    |    |    |    |     |     |       | 100 | 3,528.92 |



| Ranking  |         |       |
|----------|---------|-------|
|          | Overall | Type  |
| Network  | 5 / 8   | 3 / 4 |
| Division | 2 / 2   | 1 / 1 |

| PERFORMANCE COMPARISON |       |          |         |
|------------------------|-------|----------|---------|
|                        | STORE | DIVISION | NETWORK |
| OVERALL                | 35.29 | 39.24    | 41.18   |
| Group A                | 41.94 | 43.76    | 44.70   |
| Group B                | 27.16 | 35.59    | 34.23   |

Use charts

Rankings always mobilize the stores

Performance indexes are conditionally colored based on the expected performance at current month



# Retail Stores Network – Target Setting & Performance Measurement

## Reporting: Solution B sample 1 – Quarter targets & gravity weights

### SALES REPORT (RESULTS AS OF 6/30/2017)

#### STORE: S1 (101)

Gravities are per quarter. Final gravities are weighted on quarter targets.

Quarter targets

| Target description | Target | Q2 Sales |     |      |
|--------------------|--------|----------|-----|------|
|                    |        | April    | May | June |

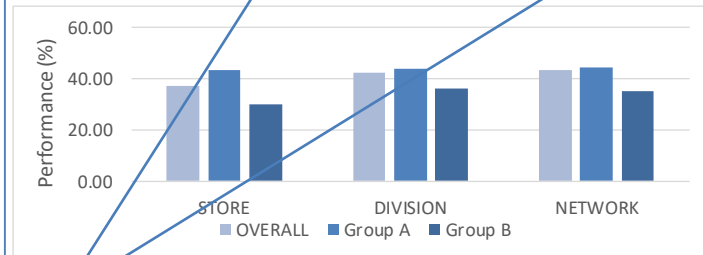
#### Group A

|          |                  |           |           |           |           |
|----------|------------------|-----------|-----------|-----------|-----------|
| Deposits | Balance increase | 45,000.00 | 18,128.00 | 16,031.00 | 27,404.00 |
| Clients  | New clients      | 7.00      | 1.00      | 1.00      | 2.00      |

#### GROUP B

|              |                        |        |       |       |       |
|--------------|------------------------|--------|-------|-------|-------|
| Web Banking  | New active subscribers | 241.00 | 57.00 | 83.00 | 78.00 |
| Credit cards | Issuing                | 105.00 | 13.00 | 9.00  | 17.00 |

| Year         |           |           |    |       | PERFORMANCE          |   |                    |
|--------------|-----------|-----------|----|-------|----------------------|---|--------------------|
| Q1           | Q2        | Q3        | Q4 | TOTAL | Performance x2/4 (%) | Gravity (weighted over quarter targets) | Performance points |
| Target Sales | 39,000.00 | 45,000.00 |    |       |                      |   |                    |
| Gravity      | 25,842.00 | 61,563.00 |    |       |                      |   |                    |
| Target Sales | 7         | 7         |    |       |                      |   |                    |
| Gravity      | 3         | 4         |    |       |                      |   |                    |
| Target Sales | 20        | 15        |    |       |                      |   |                    |
| Target Sales | 284.00    | 241.00    |    |       |                      |   |                    |
| Gravity      | 158.00    | 218.00    |    |       |                      |   |                    |
| Target Sales | 85        | 105       |    |       |                      |   |                    |
| Gravity      | 43        | 39        |    |       |                      |   |                    |
| Target Sales | 15        | 20        |    |       |                      |   |                    |
| Target Sales | 84,000.00 | 87,405.00 |    |       | 52.03                | 37.3                                    | 1,941.71           |
| Gravity      | 14        | 7         |    |       | 25.00                | 17.5                                    | 437.50             |
| Target Sales | 525.00    | 376.00    |    |       | 35.81                | 27.3                                    | 977.43             |
| Gravity      | 190       | 82        |    |       | 21.58                | 17.8                                    | 383.31             |
| Target Sales | 99.9      |           |    |       |                      |   | 3,739.95           |



| Ranking  |         |       |
|----------|---------|-------|
|          | Overall | Type  |
| Network  | 5 / 8   | 3 / 4 |
| Division | 2 / 2   | 1 / 1 |

| PERFORMANCE COMPARISON |       |          |         |
|------------------------|-------|----------|---------|
|                        | STORE | DIVISION | NETWORK |
| OVERALL                | 37.44 | 42.15    | 43.11   |
| Group A                | 43.40 | 43.76    | 44.34   |
| Group B                | 30.20 | 36.27    | 35.23   |

Quarter and YTD results. You could split them into two separate pages.

Performances do not equal those of Solution A. Gravities are discrete per quarter and annual targets are not yet known. This is why during quarter x, performances are multiplied with x/4, as a rough annual estimation.



# Retail Stores Network – Target Setting & Performance Measurement

## Reporting: Solution B sample 2 – Quarter targets & credits

**INFO:** Sample report on this slide is produced by the accompanying database.

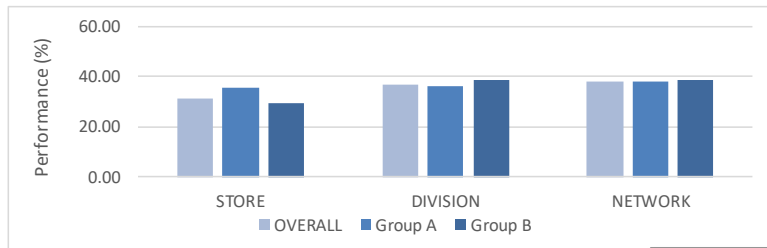
### SALES REPORT (RESULTS AS OF 6/30/2017)

Credits in blue italics

Performance calculated over credits

STORE: S1 (101)

| Target description |                        | Credits/ Unit | Target    | Q2 Sales  |           |           | Year   |                |        |                |        |                |        |                |           |                | PERFORMANCE      |                      |
|--------------------|------------------------|---------------|-----------|-----------|-----------|-----------|--------|----------------|--------|----------------|--------|----------------|--------|----------------|-----------|----------------|------------------|----------------------|
|                    |                        |               |           | April     | May       | June      | Q1     |                | Q2     |                | Q3     |                | Q4     |                | TOTAL     |                | Implicit gravity | Performance x2/4 (%) |
|                    |                        |               |           |           |           |           | Actual | <i>Credits</i> | Actual | <i>Credits</i> | Actual | <i>Credits</i> | Actual | <i>Credits</i> | Actual    | <i>Credits</i> |                  |                      |
| <b>Group A</b>     |                        |               |           |           |           |           |        |                |        |                |        |                |        |                |           |                |                  |                      |
| Deposits           | Balance increase       | 20 / 1000     | 45,000.00 | 18,128.00 | 16,031.00 | 27,404.00 | Target | 39,000.00      | 585    | 45,000.00      | 900    |                |        |                | 84,000.00 | 1,485          | 12.4             | 54.51                |
|                    |                        |               |           |           |           |           | Sales  | 25,842.00      | 388    | 61,563.00      | 1,231  |                |        |                | 87,405.00 | 1,619          |                  |                      |
| Clients            | New clients            | 200 / 1       | 7.00      | 1.00      | 1.00      | 2.00      | Target | 7.00           | 1,400  | 7.00           | 1,400  |                |        |                | 14.00     | 2,800          | 23.3             | 25.00                |
|                    |                        |               |           |           |           |           | Sales  | 3.00           | 600    | 4.00           | 800    |                |        |                | 7.00      | 1,400          |                  |                      |
| <b>Group B</b>     |                        |               |           |           |           |           |        |                |        |                |        |                |        |                |           |                |                  |                      |
| Web Banking        | New active subscribers | 8 / 1         | 241.00    | 57.00     | 83.00     | 78.00     | Target | 284.00         | 1,988  | 241.00         | 1,928  |                |        |                | 525.00    | 3,916          | 32.6             | 36.39                |
|                    |                        |               |           |           |           |           | Sales  | 158.00         | 1,106  | 218.00         | 1,744  |                |        |                | 376.00    | 2,850          |                  |                      |
| Credit cards       | Issuing                | 20 / 1        | 105.00    | 13.00     | 9.00      | 17.00     | Target | 85.00          | 1,700  | 105.00         | 2,100  |                |        |                | 190.00    | 3,800          | 31.7             | 21.58                |
|                    |                        |               |           |           |           |           | Sales  | 43.00          | 860    | 39.00          | 780    |                |        |                | 82.00     | 1,640          |                  |                      |
| Overall targets    |                        |               |           |           |           |           |        | 5,673          |        | 6,328          |        | 0              |        | 0              | 12,001    |                | 100.0            | 31.28                |
| Overall sales      |                        |               |           |           |           |           |        | 2,954          |        | 4,555          |        | 0              |        | 0              | 7,509     |                |                  |                      |



| Ranking  |         |         |
|----------|---------|---------|
|          | Overall | Type    |
| Network  | 41 / 50 | 27 / 29 |
| Division | 10 / 12 | 7 / 7   |

| PERFORMANCE COMPARISON |       |          |         |
|------------------------|-------|----------|---------|
|                        | STORE | DIVISION | NETWORK |
| OVERALL                | 31.28 | 36.75    | 38.08   |
| Group A                | 35.23 | 36.11    | 37.92   |
| Group B                | 29.10 | 38.74    | 38.56   |

Gravities are implicit (calculated from product target credits to overall) and are not required for the performances calculation.



# Retail Stores Network – Target Setting & Performance Measurement

## Reporting: Rankings

**INFO:** Sample report on this slide is produced from the accompanying database.

The following simple ranking report includes the overall as also as the per product group performances for all the network stores.

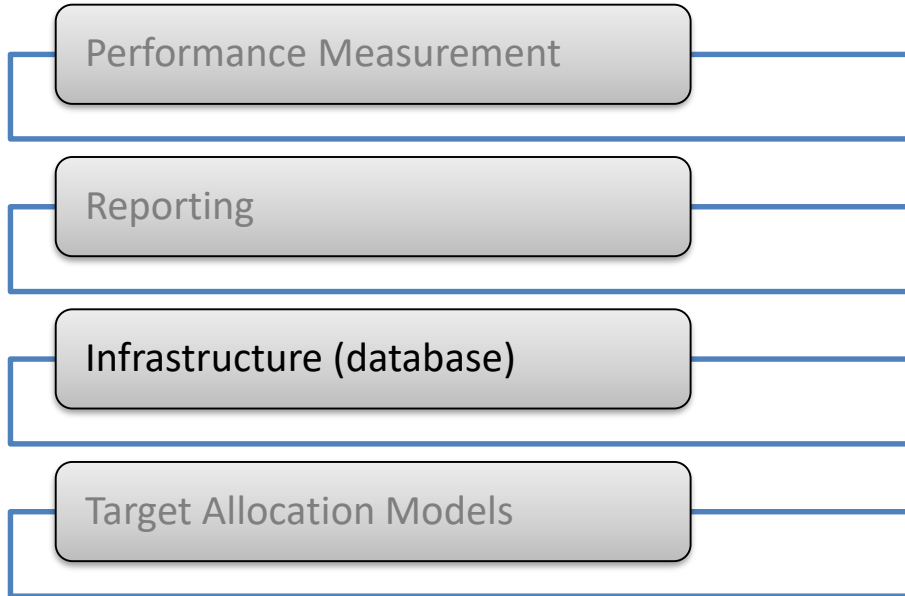
| STORES RANKING (RESULTS AS OF 6/30/2017) |      |          |       |         |         |         |
|--|------|----------|-------|---------|---------|---------|
| store_ID                                 | Name | Division | Type  | Group A | Group B | Overall |
| 109                                      | S9   | South    | big   | 33.16   | 36.82   | 33.89   |
| 125                                      | S25  | West     | small | 32.23   | 38.00   | 33.83   |
| 105                                      | S5   | West     | small | 33.58   | 32.92   | 33.43   |
| 111                                      | S11  | North    | small | 31.47   | 39.49   | 33.09   |
| 137                                      | S37  | West     | small | 27.44   | 30.16   | 32.78   |
| 132                                      | S32  | East     | small | 32.58   | 29.06   | 31.63   |
| 101                                      | S1   | North    | small | 35.23   | 29.10   | 31.28   |
| 142                                      | S42  | West     | big   | 30.60   | 32.36   | 31.14   |
| 143                                      | S43  | South    | big   | 31.21   | 28.09   | 30.40   |
| 122                                      | S22  | North    | big   | 26.29   | 44.70   | 30.35   |

Performance indexes are conditionally colored based on the expected performance at current month





## Retail Stores Network – Target Setting & Performance Measurement



A proper infrastructure will facilitate the implementation of your targeting and performance measurement methodology.

It can vary from a small database to a full set of tools that includes:

- RDBMS
- CRM Analytics
- GIS
- Reporting tool

We provide an introductory, free to use, MS Access database that implements **Solution B with credits** type report shown in slide [15](#).

# Retail Stores Network – Target Setting & Performance Measurement

## Description and download – Copyright and Disclaimer Notice

**Description:** The MS Access database accompanying this presentation is a basic solution for your target setting and performance measurement needs. By filling in your network, products, targets, credits and sales data in the predefined tables, you can use it to directly produce the sales reports that corresponds to **Solution B with credits** presented in slide [15](#). Please mention that this version of the database supports **quarter targets and monthly sales figures**.

**Download:** You can download the database together with the rest of the tools described in this presentation, free of charge, from this [page](#) of our company's web site. The database is in a split format, consisted of two files, ***performance measurement.accde*** and ***performance measurement\_be.accdb***, the latter being the back-end database containing the data tables. This enables you to put the back-end database to a network server and distribute the front-end database to more than one users. Just make sure to put the sales report Excel file in the same directory as the front-end database.

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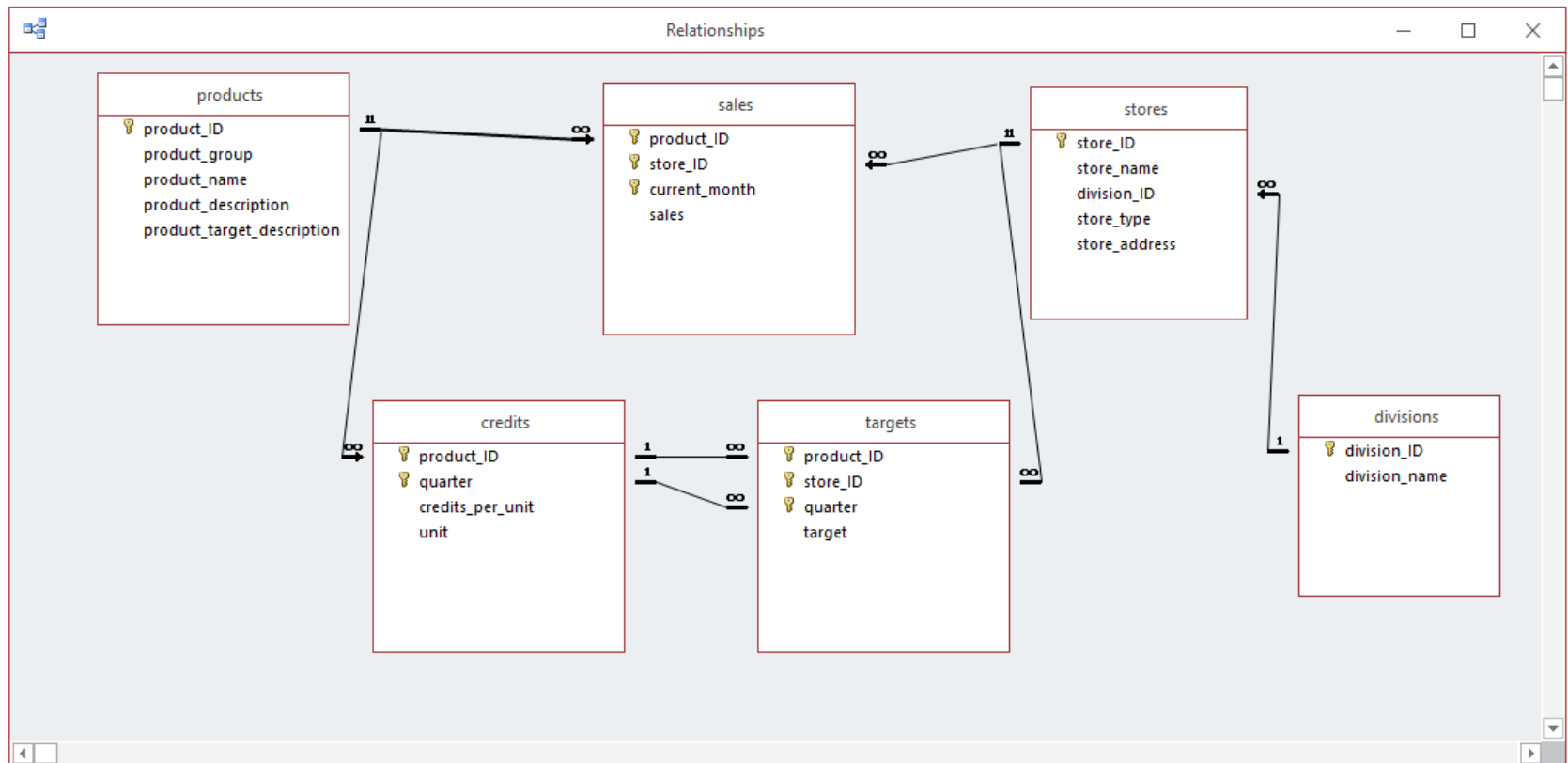
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# Retail Stores Network – Target Setting & Performance Measurement

## Database: Tables

The next diagram displays the relationships between the tables for which you need to provide your own data (they already contain sample data). Referential integrity is enforced between tables.



# Retail Stores Network – Target Setting & Performance Measurement

## Database: Data

Before filling in your own data, please have a look at the reports produced by the already available sample data.

### stores

store\_ID  
store\_name  
division\_ID  
store\_type  
store\_address

### divisions

division\_ID  
division\_name

### targets

product\_ID  
store\_ID  
quarter  
target

Start by filling in the **stores** table. If your stores are also divided in divisions, you have the option of selecting the `[division_ID]` field, provided you have first fill in the **divisions** table.

Continue with the **products** table. You have the option of splitting your products in groups by filling the `[product_group]` field , which affects the sales report layout.

The **targets** table supports quarterly figures, so you must fill in the corresponding `[quarter]` field (values 1 to 4).

The **sales** table supports monthly figures, so you must fill in the corresponding `[current_month]` field (values 1 to 12).

In the **credits** table you must provide the credits per unit and the unit itself for each product and quarter. For example:

- For a deposits target, if you want to assign 20 credits per 1,000 € balance increase, set the `[credits_per_unit]` field to 20 and the `[unit]` to 1,000.
- For assigning 200 credits for a new client, set the `[credits_per_unit]` field to 200 and the `[unit]` to 1.

Not shown in the relationships diagram is the **performances** table which holds the monthly overall performances for all three hierarchical levels: Network, Divisions and Stores. The `[hierarchy_level]` field is set to the respective values 1,2 and 3.

### products

product\_ID  
product\_group  
product\_name  
product\_description  
product\_target\_description

### sales

product\_ID  
store\_ID  
current\_month  
sales

### credits

product\_ID  
quarter  
credits\_per\_unit  
unit



# Retail Stores Network – Target Setting & Performance Measurement Database: Functionality

After providing the necessary data, create your sales reports by using the single form **F\_sales\_reports**.

The screenshot shows a web form titled "SALES REPORTS". At the top is a header "Sales Reports". Below it is an "Options" section containing three checkboxes: "Update performances table", "View report while creating", and "Save report(s) to:". The "Save report(s) to:" checkbox is checked, and its value is "C:\Users\satha\Documents\Test". Below the options are two dropdown menus labeled "Division:" and "Store:". To the right of these are three buttons: "Division report", "Store report", and "Network report". At the bottom left is a "Save all reports" button. The footer of the form contains a logo and the text "Retail Network Consultants".

Callouts from the image:

- When checked, a report is saved (in the path you specify at the options area), rather than opened. It is also automatically checked when you press the "Save all reports" button.
- Run and save all the reports (Network, Divisions and Stores) in the path you specify at the options area. Only the first ten stores will be automatically created in this database version. You can always create the rest of them one by one.
- You can watch a single report being created by checking this box (slow performance). It is automatically unchecked when you press the "Save all reports" button.
- Select a division (if any) and open its report.
- Select a store and open its report.
- Open the Network report

# Retail Stores Network – Target Setting & Performance Measurement

## Database: Functionality

When checked, the overall performance is saved in the **performances** table, which holds the monthly overall performances for all three hierarchical levels: Network, Divisions and Stores

Please mention that when a report is produced, the performances for all the previous months **are reevaluated**. This is handy when you have made some changes in previous months' figures.

The filename of a produced report has the format:

**[hierarchy\_level]\_[unit\_ID]\_[month].xlsx**  
where

**[hierarchy\_level]** takes the values 1,2 and 3 for Network, Division and Store reports,

**[unit\_ID]** is 1 for Network, otherwise it takes the **[division\_ID]** or **[store\_ID]** values you have provided

**[month]** takes the value of the last month's provided sales data.

Example: June's sales report for store with code 101 will have the filename **3\_101\_6.xlsx**

SALES REPORTS

### Sales Reports


Options

☐ Update performances table ☐ View report while creating

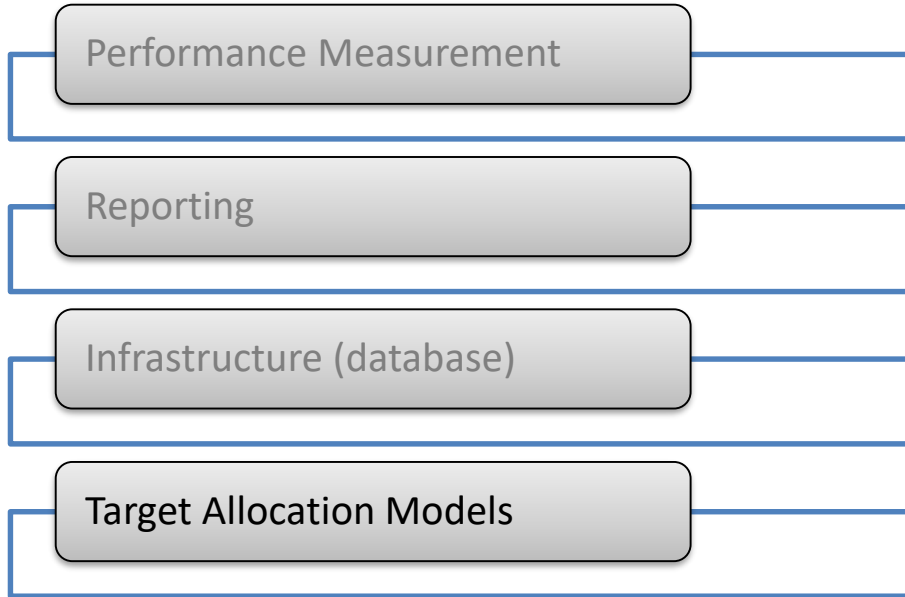
☐ Save report(s) to: C:\Users\satha\Documents\Test ...

Division:

Store:

 Retail Network Consultants

## Retail Stores Network – Target Setting & Performance Measurement



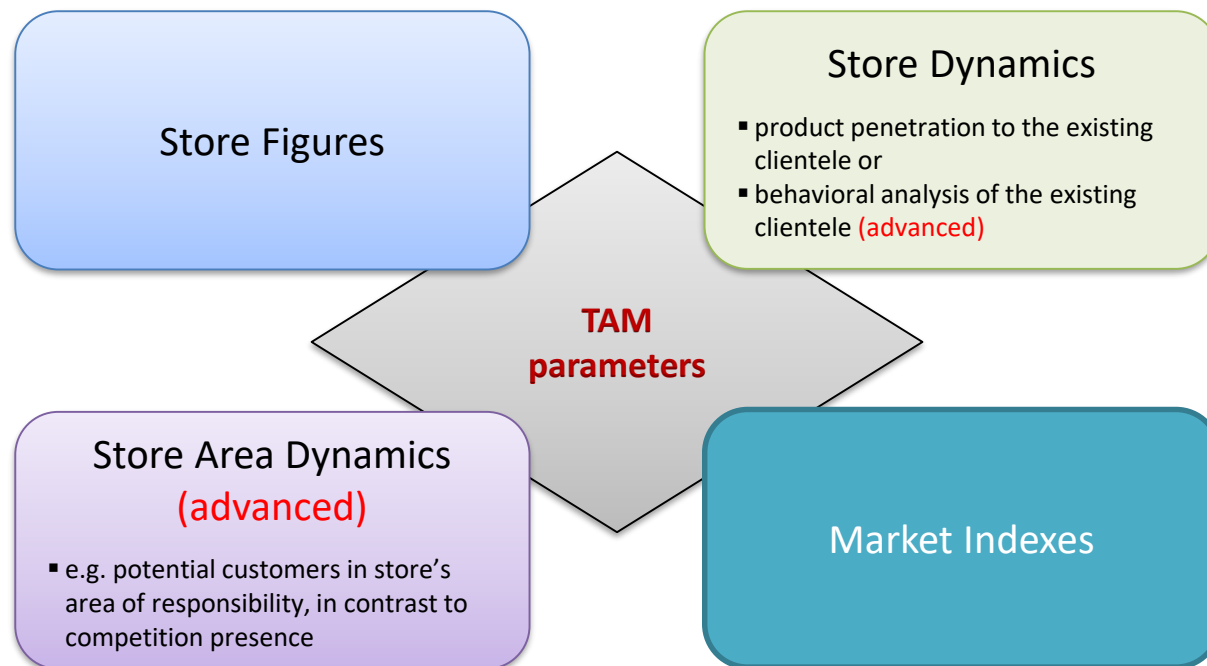
**Target Allocation Models** are crucial to your targeting methodology. No matter how well you define the performance measurement indexes or design your reports, if the wrong targets are set to the wrong stores, your effort will be characterized as unreliable and the results will be inferior to your expectations



# Retail Stores Network – Target Setting & Performance Measurement

## Target Allocation Models

A **Target Allocation Model** should be built for every product/service that is to be targeted. Its purpose is to optimally split the overall product target to the stores, taking under consideration parameters such as:

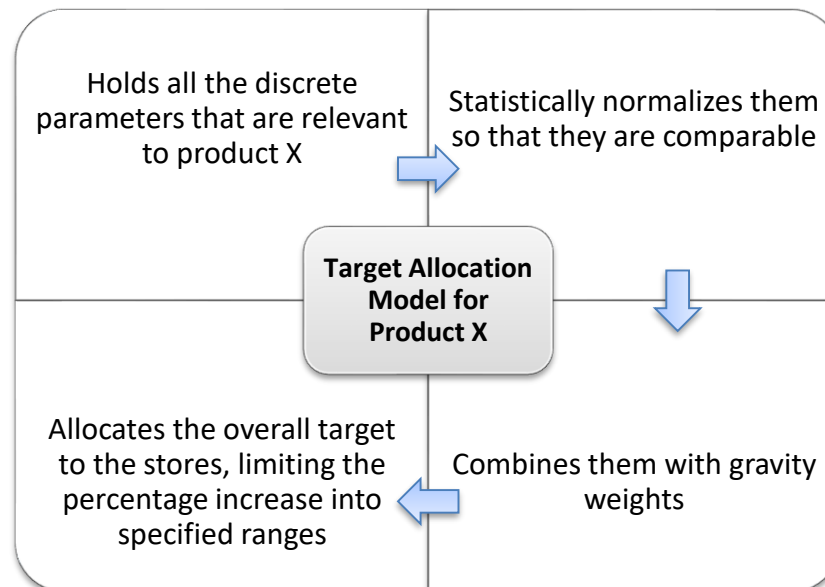




# Retail Stores Network – Target Setting & Performance Measurement

## Target Allocation Models: A generic template

- One of the possible ways in building a Target Allocation Model is presented step by step in the provided Excel template, available together with the rest of our free tools through our [web site](#).
- This simplified approach assumes that your overall target for product X can be expressed as a percentage increase over a specific quantity, as is usually the case (e.g. % balance increase over previous year balances, % increase in number of clients, % increase over last year sales, etc.)
- The objective is to modify this overall percentage increase by store, by means of the parameters you will provide. Each parameter will eventually be expressed as a percentage alteration per store to the overall percent.
- In short, this type of Target Allocation Model:



# Retail Stores Network – Target Setting & Performance Measurement

## Target Allocation Model: Snapshot

*(Please download the accompanying template for step by step instructions)*

|                                   |                                 |                                 |   |                                   |                               |                           |             |                                  |                      |   |                    |                            |  |
|-----------------------------------|---------------------------------|---------------------------------|---|-----------------------------------|-------------------------------|---------------------------|-------------|----------------------------------|----------------------|---|--------------------|----------------------------|--|
| <b>BUDGET REQUESTED INCREASE:</b> |                                 | <b>10%</b>                      | Use the Solver add-in to modify this cell in order for the achieved increase to equals 10%. |                                   |                               |                           |             |                                  |                      |   |                    |                            |  |
| <b>VIRTUAL INCREASE:</b>          |                                 | <b>9.967937%</b>                |   |                                   |                               |                           |             |                                  |                      |   |                    |                            |  |
| <b>Range (required)</b>           |                                 | <b>20%</b>                      |   |                                   |                               |                           |             |                                  |                      |   |                    |                            |  |
| <b>ACHIEVED INCREASE:</b>         |                                 | <b>10.00%</b>                   |   |                                   |                               |                           |             |                                  |                      |   |                    |                            |  |
| Standard deviations:              |                                 | 0.070                           |   |                                   | 0.114                         |                           |             | 0.011                            |                      |   | Total              |                            |  |
| Gravity weights:                  |                                 |                                 | 0.30  |                                   |                               | 0.40                      |             |                                  | 0.30                 |   |                    | 1.00                       |  |
| PARAMETERS                        |                                 |                                 |   |                                   |                               |                           |             |                                  |                      |   |                    | TARGETS                    |  |
| Store                             | Product portfolio<br>12/31/2015 | Product portfolio<br>12/31/2016 | Change  | Normalized deviation from average | Customers owing the product X | Total number of customers | Penetration | Normalized deviation from median | Market share in area | Normalized deviation from Country's share | Requested increase | Portfolio as of 12/31/2017 |  |
| S1                                | 2,052                           | 2,211                           | 7.75%   | 0.02%                             | 524                           | 2,840                     | 18.45%      | -0.16%                           | 15.40%               | -0.20%                                    | 10.35%             | 2,264                      |  |
| S2                                | 1,224                           | 1,204                           | -1.63%  | -0.24%                            | 463                           | 1,807                     | 25.62%      | 0.01%                            | 17.20%               | 0.12%                                     | 9.59%              | 1,341                      |  |
| S3                                | 1,450                           | 1,674                           | 15.45%  | 0.24%                             | 260                           | 1,536                     | 16.93%      | -0.19%                           | 17.20%               | 0.12%                                     | 10.28%             | 1,599                      |  |
| S4                                | 2,518                           | 2,484                           | -1.35%  | -0.24%                            | 318                           | 3,645                     | 8.72%       | -0.38%                           | 16.30%               | -0.04%                                    | 10.16%             | 2,774                      |  |
| S5                                | 3,576                           | 3,995                           | 11.72%  | 0.13%                             | 963                           | 2,457                     | 39.19%      | 0.33%                            | 14.80%               | -0.31%                                    | 10.09%             | 3,937                      |  |
| S6                                | 719                             | 753                             | 4.73%   | -0.06%                            | 287                           | 626                       | 45.84%      | 0.48%                            | 18.10%               | 0.28%                                     | 9.14%              | 785                        |  |
| S7                                | 2,752                           | 2,993                           | 8.76%   | 0.05%                             | 1,142                         | 2,842                     | 40.18%      | 0.35%                            | 17.60%               | 0.19%                                     | 9.47%              | 3,013                      |  |
| S8                                | 1,145                           | 1,207                           | 5.41%   | -0.05%                            | 352                           | 1,124                     | 31.32%      | 0.14%                            | 16.80%               | 0.05%                                     | 9.73%              | 1,256                      |  |
| S9                                | 404                             | 497                             | 23.02%  | 0.45%                             | 68                            | 383                       | 17.78%      | -0.17%                           | 15.60%               | -0.17%                                    | 10.76%             | 447                        |  |
| S10                               | 2,806                           | 2,982                           | 6.27%   | -0.02%                            | 463                           | 1,941                     | 23.86%      | -0.03%                           | 14.90%               | -0.29%                                    | 10.27%             | 3,094                      |  |
| Totals                            | 18,646                          | 20,000                          | 7.01%   |                                   | 4,840                         | 19,200                    | 25.21%      |                                  | Country's share:     | 16.52%                                    | 10.00%             | 20,511                     |  |



# Retail Stores Network – Target Setting & Performance Measurement

## Target Allocation Models: Parameters

- Selecting the appropriate parameters is a prerequisite for a successful Target Allocation Model.
- Some of them are quite straightforward while advanced ones may require considerable effort and special tools to be produced, such as CRM analytics and GIS systems. Let us provide a small example:

To allocate the overall target of product X, one obvious parameter is the product penetration to the existing clientele

### Simple approach (as in the attached template)

- For every store, calculate the percentage of clients owing product X and compare it with the network's median.
- Stores with smaller than the network's penetration, should be targeted with a proportionally larger percentage increase (as this parameter alone is concerned) and vice versa.

### Advanced approach

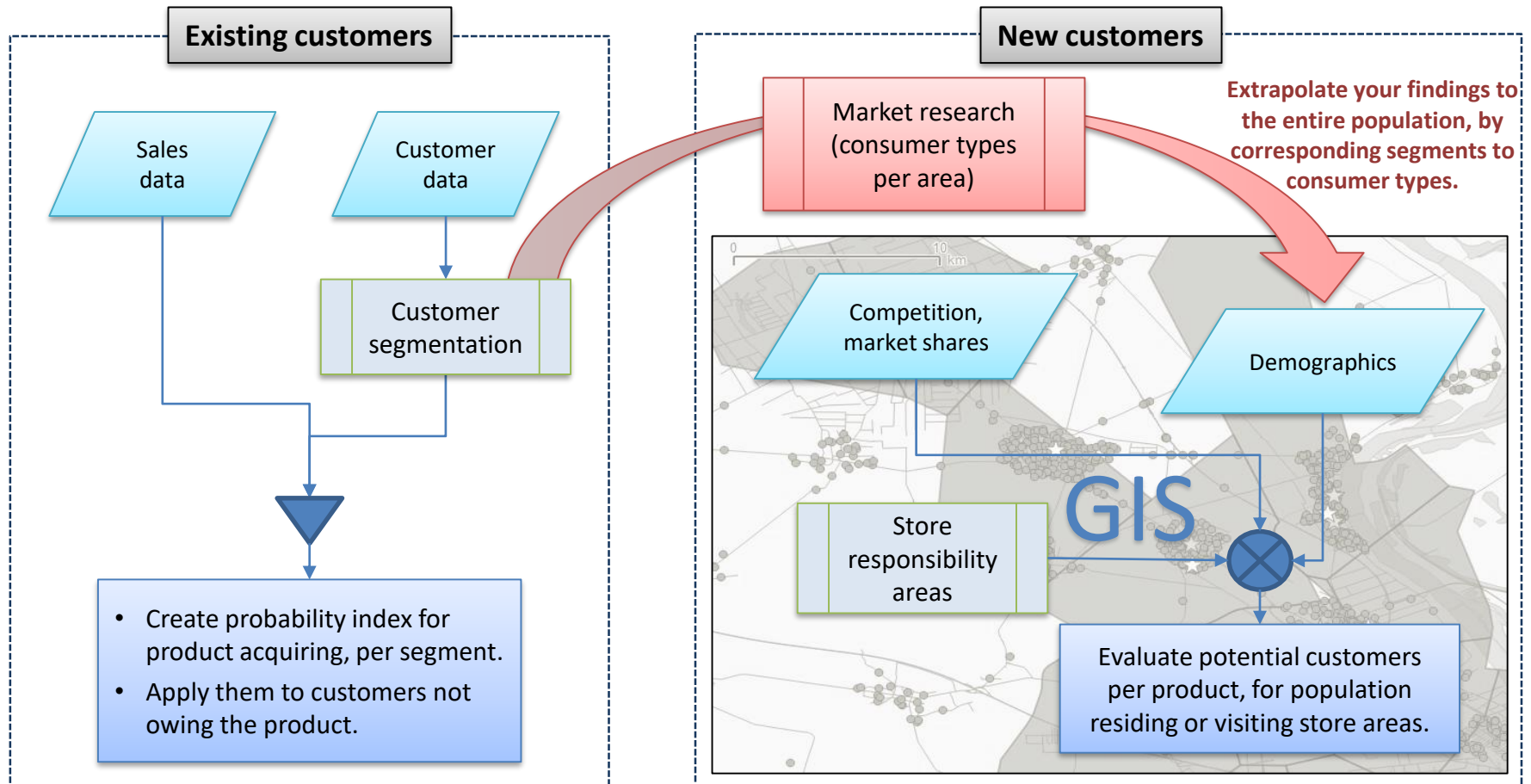
- Product X may be addressed to a specific client segment. To make it very simple, consider that this product is addressed to the 18 – 25 age segment (usually the segments have much more complex definitions).
- Consider a network's product penetration to **15%**. By using the simple approach, every store with a smaller penetration should be targeted with a proportionally larger percentage increase.
- But for a store where the 18 – 25 aged clients are only the **10%** of the clientele, a **12%** penetration could be considered rather satisfactory.
- Therefore in such cases, to properly target your stores, **you should do it per age segment**.
- If you already possess a CRM analytics infrastructure, you probably have segmented your clientele. You should use these segments to calculate the penetration deviations.



# Retail Stores Network – Target Setting & Performance Measurement


## Target Allocation Models: Advanced models

- The attached model is only a simple means of combining the product parameters.
- If however you possess the proper infrastructure, data and know - how , you should try a more sophisticated approach. Here is a very generic framework.



# Retail Stores Network – Target Setting & Performance Measurement

## Let's sum up!



There are a lot of things to design, build and finetune before resulting in a satisfactory target setting and performance measurement methodology. It is a lengthy but necessary path you need to cross in order to motivate your network and maximize its revenues.

We have presented a simple yet holistic methodology, which can keep you up and running for a certain amount of time. Be alert however that we've only scratched the surface! There are far many more details that should be considered and optimized for your business sector and especially customized for your own network's culture.

We have paid some attention to define the overall performance through the credits' method which we highly recommend and we have also highlighted the target allocation models. The latter constitute the cornerstone of your methodology and the provided template should enable you to get started. This template however, is only a means of combining the various product parameters.

Designing a more sophisticated approach is a difficult, time consuming and skill intensive step. We have come across companies that have spent large amounts of money by investing in unnecessary software and wasted a lot of time by not selecting a proper roadmap to follow. The good news is that we can show you how!

Finally, we are providing an introductory MS Access database, just to help you get started. Although MS Access is not a long term solution, you'd be surprised how many similar implementations exist, simply due to its flexibility, cost and short learning curve. Better solutions exist however, including several excellent open source components, providing that they come into the picture exactly when needed and in the proper way. Again, we can show how!



# Retail Network Consultants

## Who are we and what do we do?

**Retail Network Consultants** is a company founded by professionals with years of first hand experience in Retail Network Management. Over the years we have developed state of the art methodologies and complementary software components in the following areas.

Our vision is to provide practical, robust and reliable solutions, **customized** to your needs, your network, your infrastructure, and above all, your **culture**!

### Target Setting & Performance Measurement

- We can assist you in every step of designing and implementing a robust, practical and reliable solution for targeting your Network and measuring its performance.
- Whether you need a detailed methodology, a custom made database, advanced target allocation models or variable compensation schemes, we are here to help you build the solution that best suits your needs and at the most competitive cost.



Click [here](#) to move to our website and download the tools described in this presentation

### Optimal Network Size & Geographical Distribution

- How many stores does your Network truly require? In which locations?
- Which store should you open or close first?
- Where do your potential customers reside? And how many are they?
- What is the expected revenue?
- How does your Network stand against your competitors?
- And how are all of the above documented?

**We are proposing a very sophisticated solution, so, since you have come this far, have a closer look [here](#)!**

Contact us for a thorough discussion!



[www.rn-consultants.eu](http://www.rn-consultants.eu)



[info@rn-consultants.eu](mailto:info@rn-consultants.eu)