

HOW TO BE PROFITABLE DURING BOTH GOOD AND BAD TIMES – SALES STAFF PRODUCTIVITY

by Linda Carter

© The Retail Management Advisors, Inc.

email: LC@the-retail-advisor.com

In a previous article, I described the preparation of an annual cash flow projection, the fourth step in planning to be profitable. As a re-cap, the five steps to being profitable are:

1. Prepare an annual Gross Margin Plan
2. Use an Open-To-Buy
3. Prepare an annual pro-forma Income Statement (budget, done by month)
4. Prepare an annual Cash Flow Projection (done by month)
5. Track the productivity of their selling staff

In this, the last installment of this 6 part series, we will discuss the information you need to track about your salespeople and why it is important,

Sales Staff Productivity

No matter how well you buy and merchandise your store, you must depend on your sales staff to actually make all the sales. This means they must be knowledgeable and motivated. As the store owner, you can not just assume they are doing the 'right' things. Just as you manage your inventory by looking at productivity measurements such as Initial Markup, Markdowns, Stock Turn Rate and Gross Margin you must also look at the productivity measurements for your selling staff. These are: total sales, number of items sold per sales transaction, number of sales transactions per hour worked and dollar amount of average sale.

Most of you have a mix of full-time and part-time sales staff, therefore just looking at the total sales does not give you a good picture of how all your staff are performing. It is obvious that the full-time staff will have higher sales than part-time staff (at least they better!). However, if you look at averages, instead of just the totals, you will get a better picture of how your staff members are actually doing.

If you have a decent retail software package it will give you, at minimum, the total net sales, total number of transactions, and total units sold. A good system will give you that plus all the other information I will be discussing below in a good report format so all you have to do is review it. These figures for our store's 3 salespeople are below:

Name	Total Net Sales	Total Transactions	Total Net Units	
Tom	\$18,500	140	102	Full-time
Dick	\$22,000	135	270	Full-time
Harriet	\$11,000	55	110	Part-time

From the total net sales and total number of transactions you can calculate the average sale by dividing total net sales by the total number of transactions. Last month Tom sold \$18,500, Dick sold \$22,000 and Harriet sold \$11,000. Tom processed 140 transactions, Dick had 135 and Harriet had 55

transactions. If we just looked at the surface we would say that Dick did better. However, we need to calculate the average sale, by dividing the total sales by the number of transactions. From this, we see that while Tom sold an average of \$132 per transaction, Dick sold \$163, but Harriet sold \$200 per transaction. Therefore, Harriet obviously did better.

Next is the number of Items Per Transaction. This is calculated by dividing total units sold by the total number of transactions. When we did this we found that Tom sold an average of .73 items per transaction, Dick sold 2.00 and Harriet sold 2.00 items per transaction. Dick and Harriet did the same on this, even though Harriet is part-time. This also tells us that if Tom would do more suggestive selling he might be able to increase his sales. For example, selling a new belt with a new pair of pants. Even just adding a pair of socks to each sale will help!

Now, we need to add some more information from Payroll. By knowing the total wages of each salesperson and the number of hours they worked we can add a couple more pieces of important information to our productivity report.

<u>Name</u>	<u>Total Wages</u>	<u>Total Hours Worked</u>
Tom	\$2,368	148
Dick	\$2,072	148
Harriet	\$660	60

From the information above we can now calculate Sales Per Hour, Transactions Per Hour and the Selling Cost % for each salesperson and rank them on these performance measurements. Sales per hour is calculated by dividing total net sales by the number of hours worked. When I did this I found that Tom sold \$125 per hour, Dick sold \$149 per hour and Harriet sold \$183 per hour. Obviously, Harriet is better in this regard. However, we need to look at extenuating circumstances. Since Harriet is part-time we can assume that she works only when the store is busiest, therefore her sales per hour should be higher.

Next, let us look at the Number of Transactions Per Hour. This is calculated by dividing the total number of transactions by the number of hours worked. When doing this I found all the selling staff fairly close. Tom had .95 transaction per hour, Dick had .91 and Harriet had .92.

By looking at both Transactions Per Hour and Sales Per Hour we can surmise that Harriet sold to fewer people but sold MORE items and higher priced items to each she worked with.

The last piece of information to look at is the Selling Cost %. This is similar to looking at the percentages on your Income Statement. The calculation is Wages divided by Total Net Sales. When doing this I found out that Tom's Selling Cost % was 12.80%, Dick's was 9.42% and Harriet had a low 6.00%. This tells me that we are overpaying Tom and underpaying Harriet since our company goal is a 10% selling cost.

Once you have this information about your sales staff, don't just let it sit in a drawer. Use it to point out to your staff where they need to make improvements, then follow up to make sure they do improve.

© The Retail Management Advisors, Inc., All Rights Reserved
510 Red Oak Street, Allen, TX 75002
Phone: 877-206-1299