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There are Two Sides to the 80-20 Rule

In the course of your business planning and forecasting discussions concerning new sales opportunities, how often do you face the familiar platitude "we need to get the most bang for our buck?" The point being, let's stick with working the retail channels that do the most business; or, let's continue our focus on venues or areas that account for 80 percent of sales. The unspoken other side of that plan implies neglecting the 20 percent slice of sales potential.

Transferring this thought to the home improvement industry, one might conclude that effort spent on cultivating the independent hardware retailing channel is not worth the same effort as that for chain home centers or mass merchandisers. In fact, we at Vista Information Services frequently hear this message from our variety of hardware/home improvement clients as they concentrate their market intelligence interests on "big-box" analyses.

Yet, there remains a dependable and stable retail base of approximately $90-$100 billion in all commodity expenditures in independent hardware/home centers and lumber retailers. This level of spending pushes that 20 percent in the 80-20 rule to more like 35 percent. This is hardly a supply chain segment that should be neglected.

The good news is that there is a wealth of information available to assist manufacturers to be category champions within the hardware and lumber channels. It is easier than ever to stay on top of what is happening in product categories for all items, right down to the SKU level. What better way to lead competition than establishing "better practices" partnerships with these retailers.

Let's examine this market intelligence capability in more detail to understand what insights can be realized that may serve to help in the sales and marketing processes within this home improvement channel.

POINT-OF-SALE MARKET INTELLIGENCE

Since point-of-sale (POS) data is derived from individual bar codes of scanned items at retailer's cash registers, this collective database can subsequently be organized and processed into a broad spectrum of nationally projected information—by clearly defined product category, by category subtypes, by manufacturer and brand, and by individual item or UPC.

One of the strengths of POS information is that it is based on actual consumer purchase events—not recall, not opinion, but true consumer takeaway. This adds to the accuracy, precision and credibility of the reports.

The question then becomes "What is it that you, the manufacturer, can learn about your category's retail dynamics from POS data that will assist or support your decision-making processes or sales actions?"

The answer to this can be classified into groups of performance measures that we might term Volumetric, Store-based and Availability facts. Under each are several specific facts that are directly reported or can be easily calculated from other reported measurers. Again, these are reported for all category items—yours and those of competitors.

VOLUMETRIC FACTS

- **Sales Level**
- **Sales Trend—**recent and long term
- **Sales Velocity**—(sales related to % stores selling)
- **Relative Position market share—** share change, item ranking
- **Areas of Strength by category segmentation**
- **Item Contribution—**to the total brand

STORE-BASED FACTS

- **Retail Pricing**
- **Relative Pricing—**to other items or brands
- **Promotional Efforts and Results**

AVAILABILITY FACTS

- **Percent Stores Selling—**based on all commodity volume importance of those stores
- **Number of Stores Selling**
- **Number of Stores Not Selling**
- **Average Number SKU's carried**

INSIGHTS PROVIDED

Most of these facts are very straightforward and offer a variety of product-based insights on competitive retail performance. In addition, they are points of reference to evaluating your own products.

At another level are company-based insights that these measurers provide.

FOR EXAMPLE:

- **Strength of Position**—What are the core products and company direction?
- **Primary Focus** What is their M-O?
- **Mainstream or Niche** Is product portfolio broad or specialized?

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80-20 RULE

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- **Proactive or Reactive**—Do they create their own dynamic?
- **Status Quo or Leader—**Do they innovate or follow?
- **Vulnerabilities**—What are weaknesses related to performance and positioning in the market?

FINALLY, IT MIGHT BE ASKED, "HOW DO YOUR COMPETITORS VIEW YOUR COMPANY?"

Marketplace intelligence can take many forms. Point-of–sale information is one. Because it is fact-based—based on actual retail sales—it can add precision to your important and sometimes critical decisions. Plus, it can provide an objective frame of reference for communicating issues, opportunities and successes…and it can make a real difference in capitalizing on that sometimes neglected "20 percent" side of the 80-20 rule.

To learn more about Vista Information Services, call (847) 768-3122 or visit our web site at www.activant.com.