
Success Story*

\$1.2 Billion Increase in Retail Sales of Major Appliances (estimated: 2003 to 2006)

Retailer's Market Share of Major Appliances Increased from 13.7% in 2003 to 17.7% in 2006, While Competitors Either Lost Share or Grew Slightly

Four Week Test Increases Sales of Major Appliances by 11%, Increases Turns by 20%

Second Test Confirms Initial Results

Retailer's Close Rate on Major Appliances 15% Higher Than Major Competitor

Freed Up Approximately \$30 Million of Non Performing Inventory In Six Months

The following success story is presented as an example of the results possible when manufacturer, merchandising company and retailer all work together effectively. Wherever possible, we will let the manufacturer and retailer's personnel describe the quality and effectiveness of XYZ' work.

The Manufacturer's Problem

Sales of major appliances were not as high as they could be in this retailer. For example:

- **Prioritize Work In-Store:** The retailer is always buried in initiatives of one kind or another at the store level. The manufacturer needed a way to cut through the noise to see that their key activities got done. (e.g. promotional end cap change outs done in time to coincide with advertising.)
- **POP (Point of Purchase) materials** are very date sensitive. It was an ongoing struggle to see that the POP materials were

up on time and brought down at the right time. Frequently, the POP materials were not even getting to the store.

- **Non-Performing Inventory** was creating significant problems. It turned out that at least \$30 million was tied up in slow moving inventory in major appliances.
- **Survey information was often not getting from the sales floor to the manufacturer** where it could be acted on. Normal survey information should include selling price, shelf space, out-of-stocks, competitor prices, competitor promotions, etc., but this information was not always getting collected and transmitted effectively.
- **PlanogrXYZ for the stores were out of date**, often changed, and often not in compliance with the agreement between the manufacturer and the retailer. This resulted in a **less than effective presentation** of the manufacturer's products.

Responsiveness, Quality of Work: “They did a phenomenal job, took great pride in their work. XYZ is the most receptive and responsive merchandising services organization I have ever worked with. **Whenever I called them, the issue was resolved by 8 AM the next day.** I was never once disappointed. **I just forgot about it and they always got it done.”**

Gave Us More Time to Sell: “XYZ assisted the Whirlpool Team by **offloading work from us so we could spend our time selling.** This is important to us. ... and **XYZ has been a big help.”**

Handling Complexity, Rapid Change: “Transitions and changes to progrXYZ are significant and happen regularly in major appliances. We never wasted our time arguing with a retailer’s person over something not done.”

Value of XYZ’ Whole Program: “XYZ helped us by getting parts, placing POP, down-stocking, handling damaged good, returns, etc. **XYZ took care of these things. This freed me and my people to sell.”**

Innovation, New Technology, Ideas: “Kevin West, Chris Nozet and Mike Lassiter were especially helpful. **They continually brought us new ideas, technology, reports, websites, training tools, etc.”**

Speed: “XYZ understands that speed is marketshare and sales. They took time to understand our business and it was a true partnership. **I’m the customer and they made me happy.”**

John Arnold, Regional Sales Manager, Whirlpool

The Retailer’s Problem

Often problems are not exclusively owned by the manufacturer or the retailer, but the following items were issues that significantly affected the retailer.

- **Special Problems of Heavy, Complex Products:** The retailer’s merchandising manager would have complaints such as, “Why aren’t we selling dishwashers?” The reason was that the dishwasher display units were in overhead racks, not on the sales floor.
- **Maintaining a consistent appliance department appearance** across the nation had always been a challenge with this retailer.
- **Unauthorized POP material** was being placed, which created confusion. The retailer’s policy required approval for all POP materials, but this was not consistently enforced.
- **Occasional emergency needs** would arise, such as an extreme need to merchandise all stores in time for a pre-purchased advertising campaign.

Results

In addition to the results described in the accompanying customer quotes, this major appliance initiative produced the following results:

- **An initial 4-week test of 5 stores increased sales of major appliances by 11% and increased turns by 20%.** The close rate went up significantly compared to control stores not serviced by the XYZ program.
- **A Second test in another 5 stores resulted in nearly identical improvement.** The second test was conducted to make sure the first results were not an accident.

XYZ' Solution

The Entire Program for Increasing Sales of Major Appliances

Following are the major components of the program that XYZ put together for American Waterheater:

- **Planogram Room:** XYZ helped manufacturers sell to the retailer's buyers by setting up a planogram room and assisting with line reviews.
- **Product Knowledge and Sales Training** for retailer's associates. This included video training and paper-based training. On a daily basis, XYZ would train all of the retailer's new hires. XYZ would report on training completed weekly, monthly, or as needed. XYZ specializes in teaching **"need / feature / benefit" selling** rather than just "price / feature" selling. For video training, XYZ creates or compiles the training, in conjunction with the manufacturer. XYZ provides the training on handheld PDAs, on DVDs, or in VHS tape format. An XYZ specialty is the **4-5 minute video training on a handheld PDA**. XYZ' people will catch the retailer's associate when they are between customers and get the training done, with video and audio, right on the sales floor.
- **Competitor Price Surveys:** XYZ conducts price shopping surveys at competitors as needed.
- **POP Materials, Displays:** XYZ ships POP materials, sets all displays, sets up the POP and will consistently meet deadlines for timed promotions.
- **Set Up Display Models, Replace Those that are Sold:** XYZ will handle the difficult, heavy – and often neglected – chore of putting out new display models and replacing those that have been sold off of the store floor.
- **Returns, Recalls:** XYZ handles the difficult and often neglected chore of processing returns and making sure that safety or regulatory recalls are handled rapidly and completely.
- **Back Room Repair Service:** Often a product needs only a minor repair to be restored to saleable condition. XYZ offers a "back room repair service" where its people handle many minor repairs that store personnel are not be able to do. With heavy products such as appliances, **the reduction in shipping costs and un-saleable inventory costs are considerable.**
- **Move Out the Non-Performing Inventory.** XYZ conducted a "white dot" program, placing a white dot on every display appliance that was missing parts, slow moving, or otherwise un-saleable. This allowed the retailer's senior executives to tour the store floors and easily spot ways to move out or resolve non-performing inventory. The retailer also sent a weekly report to XYZ and XYZ reduced it to in-store action to reduce non-performing inventory.
- **Monitor Inventory Levels, Conduct Cycle Counts:** XYZ' personnel were certified to conduct cycle count inventories and enter the results directly into the retailer's system. The retailer's system would then automatically reorder product to meet the pre-set inventory levels.
- **Weekly Contact With And Reporting To Retailer:** XYZ' personnel reported on missing displays, missing parts, out of stocks, not selling because display sold, need stock down from shelves, model transitions, non-performing inventory, returns, scheduling, merchandising work requests, etc.
- **Rotate Stock** to make sure older product is sold first.

XYZ' Solution Continued

- **Down-Stock Program:** Regularly see that retailer's people got the correct stock down from the overhead racks down to sales floor. This was often the first task the XYZ rep did upon arriving at a store.
- **Keep Displays Presentable:** Dust displays, remove tape, align displays, make sure product information and accessories are attached to back, make sure price tag is right, watch out for safety issues. (e.g. wall ovens, over the range micros, etc. could fall on someone.)
- **Strengthen Store Manager Relationships:** This retailer does not permit XYZ to sell store managers on extra display space, promotions, etc., but strong manager relationships can be built a number of other ways. First, by responding to calls and merchandising service requests immediately. Second, by preventing problems rather than just reacting. Third, by training retailer's associate to sell and even selling right alongside the associate.
- **Spending Merchandising Dollars in Most Effective Places:** XYZ adjusted its schedule so that the highest volume stores got the support and training they needed. This was reviewed quarterly to make sure money was being spent as effectively as possible.
- **Planogram Updates and Compliance:** XYZ did a special project to document what was actually in all stores in the built-in appliances area. This formed the basis of updated planogrXYZ for the entire chain.
- **Monitor Product Mix:** XYZ also helped its manufacturers by keeping an eye on the product mix at individual stores. Rapidly growing retailers often start with a standard product mix for all stores, across the entire company. In practice, XYZ has found that regional and local preferences vary a great deal, resulting in either hot sales opportunities or slow moving inventory.
- **Special Projects, Urgent Needs, Miscellaneous:** XYZ did special projects which included emergency merchandising efforts to meet a pre-purchased advertising campaign. Other services included taking exceptions to the retailer's buyers with a critical action form.

- **Retailer's Market Share of Major Appliances Increased from 13.7% in 2003 to 17.7% in 2006, While Competitors Either Lost Share or Grew Slightly.** According to *Retail Wire.Com*, Q2 of 2003, the retailer in this success story had a 13.7% market share of major appliances. In Q2 of 2004, share was 14.5%, Q2 2005 went to 15.1%, Q3 2005 up to 16.1%. 2006 market share was at 17.7%, according to a confidential source. Note that market share for the retailer's competitors either declined during the same period or increased only slightly.
- **\$1.2 Billion Increase in Retail Sales of Major Appliances (estimated: 2003 to 2006)** Each percent increase in market share is approximately \$300 million in retail sales. Total market share increase from 13.7% to 17.7% = 4% * \$300 million = approximately \$1.2 billion increase in retail sales of appliances. Sources: Stevenson report, Reuters article 8/23/05.
- **Retailer's Close Rate on Major Appliances 15% Higher Than Major Competitor.** According to *This Week in Consumer Electronics*, 10/23/06 "[The retailer's major competitor's] close rate is [15%] 1500 basis points lower than [the retailer in this success story]."
- **Freed Up Approx. \$30 Million Of Non-Performing Inventory** in 6 months.
- **XYZ' People are Known as Great Sales People**, Regularly Hired by Manufacturers.
- **Met Crisis Project Need** to merchandise 85% of all stores **in time for pre-purchased advertising** (under extreme deadline).

Partnership, Working Relationship: "We have a great partnership. XYZ is relatively large, but it doesn't feel like we're dealing with a big company. The people are friendly and great to work with."

Sales Increase: "Our organization has experienced an increase in sales while working with XYZ."

Beyond the Basics, Rapid POP Placement, Effective Training: "Our biggest customer is one of the largest retailers of major appliances in the country. XYZ handled all of the merchandising duties for us on this retailer's sales floor. XYZ did an excellent job at making sure our product was displayed and looking great, and they routinely exceeded expectations. For example, if new POP materials were issued for one of our products, XYZ could distribute the POP materials to their reps in the field, place the POP and send us a detailed report of completion within a week. They also did a great job of distributing our training materials to both the XYZ reps and the store personnel."

"Our Best Sales People Come From XYZ, at a Competitive Cost: Our current relationship with XYZ began when our customer took all of the merchandising work in-house. Because we were so satisfied with our past experience with XYZ, we decided to subcontract all of our future District Managers from XYZ. In addition to the initial count of 45 associates, we also adapted the XYZ PDA based communication and reporting system, which greatly enhanced our ability to take care of the needs of our customer. Today, four of our top five sales people are contracted from XYZ.

Excellence of Work, Putting Our Product in Best Light: "The XYZ field reps have always been experts at merchandising. They make our appliances look like they're sitting in a customers' home."

Excellence in Training, Solving Training Problem with Technology: "The PDA can present 2-3 minute training videos on the sales floor, which allows us to train associates without taking time away from customers."

**Larry Piercy, Field Sales Director
Electrolux Major Appliances**

**The
Retailer's
Problem**

*** Please Note**

Percentages and dollars are approximations of estimated benefits for illustration purposes only. Each client situation is unique and this is not intended as a guarantee of a specific outcome. Company names, names of individuals, financial and other details may have been changed in order to protect client confidentiality. Please contact us for details and a client contact for verification prior to making a decision based on information in this paper. For more information contact: