

Retail Mathematics Made Easy

By Jason Teh



For a lot of people the phrase 'retail mathematics' conjures up horrifying memories from their school days. Even so, they will realize that retail mathematics is a very important part of operating a retail business. In every business there is never ending number crunching. The analysts have to look at the numbers from every angle to ensure on-going profitability. Running a retail store, or group of stores, is no different. There are many numbers that need to be analyzed regularly to help in managing the day to day business; to aid in decision making on just about everything. You just need to set the benchmark to simplify it to retail operation so that the floor staff know where and how to match it. The fact is, you don't need to be an accountant or a mathematician to make the calculations.

Retail mathematics isn't difficult. All you need to know is which numbers to use and how to interpret the results. Addition, subtraction, multiplication and division are the only functions required. Head Office personnel work with retail mathematics regularly.

Most of their decisions are based on financial considerations of one type or another therefore retail mathematics is a major component of the background work done before most decisions involving the allocation of resources are made. Did you ever wonder why certain items in the store are not reduced in price during a markdown? You know, the items you think won't sell even at a reduced price? You and your staff may assume that your Head Office buying department missed this item because they are not in the store and don't know what's going on. Well, while that certainly could be the case, more than likely it has to do with the markdown budget they are working with. Retailers know that they will be required to take markdowns. During the budgeting, or planning process they estimate how many dollars they will lose to markdowns. When it is time to do a markdown they need to make their decisions based on that estimate because, otherwise, they will lose too much during a particular time period and let's not forget about the flow of inventory into your store? Is it consistent or erratic? Retail mathematics is used to determine flow of inventory. Unfortunately sometimes

the numbers indicate that new merchandise cannot be sent in at a certain time. Perhaps it wasn't ordered with enough lead time to get it to your store when you think it should be there. Decisions, good or bad, are usually based on the numbers.

We come across many retailers running the business based on assumption and without a proper know how in certain fields especially in the sales & marketing. You will need to ask yourself, what is the average leads, average conversion and average dollar sales for your business. If you are an enterprise running a few chain stores and your answer is that you are not sure, you might be worried about your business and why it's not moving forward accordingly. For a full understanding of what is going on in your retail business, you need Retail Mathematics knowledge.

The seminar on retail mathematics was conducted by MRCA member Mr Jason Teh on 22 January 2014 at MRCA's new office space in One City. The seminar was attended by 40 MRCA members. **MN**

