

The Mathematics of Board Management
&
Collection Driven Merchandising

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Jay Binkowitz, President GPN



- 30 years of extensive experience in retail operations, merchandising & marketing, manufacturing & distribution, technology development, national sales, and on site interactive consulting.
- Dedicated the last ten years to: developing lectures, publications and workshops at major industry events.
- GPN was created as a unique support company that provides infrastructure and support to independent practitioners by developing new business management tools and processes.

Course Overview

Buying the right products and creating successful assortments has become more challenging in today's environment of shifting consumer tastes, increasing price sensitivity and growing shopper diversity.

- What does frame board management really mean?
- How many of us studied the fine art of retail buying mathematics?
- Do you use the "Let's try it!" method to selecting frames for our optical?
- Do you make decisions on products based upon what you "THINK" consumers want or quite simply based upon what "YOU" personally like?

We need to take a more strategic approach with the fundamental objective of maximizing customer satisfaction while minimizing our costs.

Create a Plan

- 1) Map out the layout of your dispensary
- 2) Categorize your frames
- 3) Separate your frames by type
- 4) Separate them by dollars
- 5) Review the results

What do retailers DO?

The art of successful buying has more to it than "the frame looks nice" when we make our decision. *There has to be a reason to buy it.*

- Big box retailers have a slightly more advanced methodology to making their buying decisions. It is not to say that they are right all the time, but successful retailers are right most of the time.
- They understand how to categorize their inventory by levels and price points. Then they use these categories to apply percentages to refine their approach.

Lets Begin

Map Out Your Optical

Think of your board space as real estate. Each space is an apartment and each apartment has to pay rent or you need to evict the tenant.

A standard board has 6 columns with 14 spaces per column.

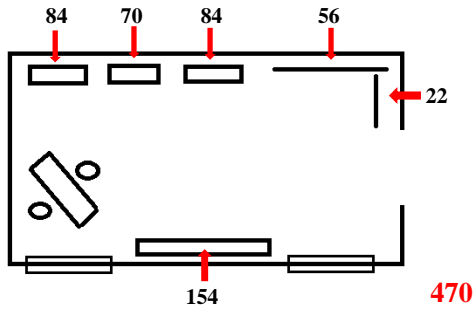
That means you have 84 spaces per board.

If you have 10 boards then you have 840 spaces/apartments to work with.

If you have shelves, usually you can "nicely" display the same 14 on each Shelf

DO NOT INCLUDE > Kids, Plano Suns or Understock

Map Out Your Optical



Categorize Your Frames

Separate your inventory into categories & convert your count into %'s

- Tier 1 = High-end fashion brand (Calvin Klein, Gucci, Prada)
- Tier 2 = Moderate fashion or sports brand (Nine West, Banana Republic)
- Tier 3 = Non fashion brand (Skechers, Reylon, Covergirls, Pepsi)
- Niche = Fun & Unique frames (Prodesign, Betsy Johnson, Silhouette, Bevel)
- Core = Frame company in house brands (Marchon, Safilo, Tres Jolie, Elasta)
- Luxury = Very high-end (David Yurman, Judith Lieber, Cartier, Lindbergh)
- Non brand = No name frames. Not a brand of any type. Just a made up low cost frame with no consumer recognition

Categorize Your Frames

• Example of converting the previous into %'s

Tier 1	= 50 units	/ 840 =	6%
Tier 2	= 150 units	/ 840 =	18%
Tier 3	= 120 units	/ 840 =	14%
Niche	= 100 units	/ 840 =	12%
Core	= 220 units	/ 840 =	26%
Luxury	= 50 units	/ 840 =	6%
Nonbrand	= 150 units	/ 840 =	18%

Separate By Type

Separate your inventory into the following & convert your count into %'s

Mens = 240
 Womens = 450 / 840
 Unisex = 150

Result =

M = 28.5% U = 18%

W = 53.5%

Separate By Dollars

Separate your inventory into the following & convert your count into %'s

RETAIL PRICE POINTS

- Up to \$100
- \$101 to \$150
- \$151 to \$200
- \$201 to \$250
- \$251 to \$300
- \$300 & Up

Result =

Up to \$100	350 units		41.5%
\$101 to \$150	250 units		30%
\$151 to \$200	100 units	/840	12%
\$201 to \$250	50 units		6%
\$251 to \$300	50 units		6%
\$300 & Up	40 units		4.5%

LET'S PUT IT ALL TOGETHER

Now put it all together: (Out of 840 pairs on frame board)

Step 1 : You have 840 apartments (spaces)	Step 4 : Retail Price Points							
Step 2 :	<table border="0"> <tr><td>Up to \$100 : 350 = 41.5%</td></tr> <tr><td>\$101 to \$150 : 250 = 30%</td></tr> <tr><td>\$201 to \$250 : 50 = 6%</td></tr> <tr><td>\$251 to \$300 : 50 = 6%</td></tr> <tr><td>\$300 and up : 40 = 4.5%</td></tr> </table>	Up to \$100 : 350 = 41.5%	\$101 to \$150 : 250 = 30%	\$201 to \$250 : 50 = 6%	\$251 to \$300 : 50 = 6%	\$300 and up : 40 = 4.5%		
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Step 3 :	<table border="0"> <tr><td>Women's : 450 = 53.5%</td></tr> <tr><td>Men's : 240 = 28.5%</td></tr> <tr><td>Unisex : 150 = 18%</td></tr> </table>	Women's : 450 = 53.5%	Men's : 240 = 28.5%	Unisex : 150 = 18%				
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Review Results

Track Sales and Adjust Percentages

- Are your best selling frames core women's for less than \$100? That is what percentages indicate.
- Do you want to sell more \$151 to \$200 frames? Then try increasing this percentage and reducing the number of frames priced below \$100
- Do you want to sell more \$201 to \$250? Then you need more products

As consumers, we do not buy from the retailer that has just a few pieces to pick from. Rather we buy from the retailer that has a large robust collection. It creates trust and confidence that the retailer can support the product.

Considerations



Considerations

- As a buyer you want to adjust these numbers to increase your turnover rate and the overall productivity of your inventory dollars.
- We tend to end up with the 20/80 rule. Twenty percent of our inventory makes up 80 percent of our sales. But that does not have to be if we more carefully track and refine our percentages with the mathematics of board management.
- Consistently tracking these numbers while comparing them with your sales will equip you to fine tune your approach.
- Some categories you may want to decrease when you realize that they do not contribute the sales you would have expected. Visa versa, other categories you may increase when you realize that they are contributing strongly to your sales.



What is Merchandising?



What is Merchandising?



What is Merchandising?

A montage of board confusion

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Your practice is unorganized

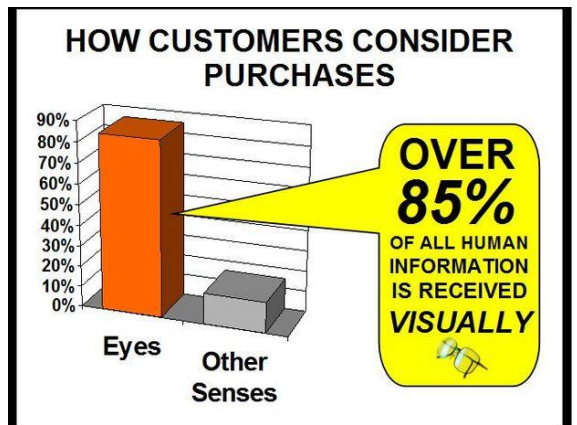
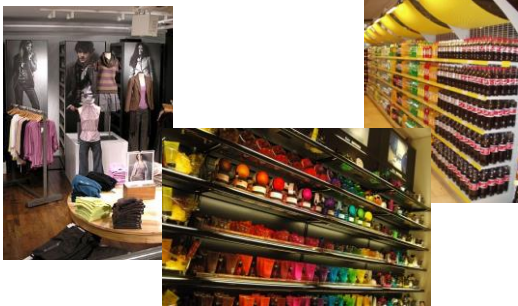
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Poor quality control & care

What is Merchandising?



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What is Merchandising?

Merchandising by collection is the answer

- Don't emulate a garage sale or flea market.
- Visit
 - Nordstrom's
 - Pier One Imports
 - Sunglass Hut & Lenscrafters
 - Best Buy

What is Merchandising?

**Separate your HIGH & LOW \$ products
&
Display them by brand**

What is Merchandising?

DO YOU

Use the flea market or garage sale approach?

Group frames into gender groups?

men's, women's, unisex

Group frames by material type?

metals, plastics & combo's.



What is Merchandising?

- **Are cleaning the demo lenses and frames part of merchandising?**
- **Is having the frame bench aligned part of merchandising?**

Tips For Buyers

Don't Buy Frames that Compete with Each Other

This is a common pitfall. If you purchase similar frame lines where one line is less expensive than the other, then you are wasting your time and your money.

You are not going to sell the more expensive version. So you need to decide which price point you want to sell and pick one product.

And you need to keep an eye to creating an optimal range of assortment. Not just by name but by style.

Tips For Buyers

Simplify Core Product

- How many core product lines do you carry?
- Pick one company. If you have a showcase that holds 84 units, and you have similar core product from three companies, you have dedicated a lot of your apartments to the same tenant and will not get the rent you need.
- Reduce your three core companies to one, and carry 42 units instead of 84. You will have more productive tenants that turn over the way you want them to. You will also have a better relationship with your rep.

Tips For Buyers

Pick One Bend & Flex Line

- Several companies offer bend and flex materials today. If you carry four or five company's version of these frames, you are diluting the mix and will have a lower turnover and higher exchange rate for each of the companies.
- Pick one and be done. You may think you have a large selection of frames, but they really are just all the same to the consumer.

Tips For Buyers

"One in One, Out is the Rule of Thumb"

- You need to get rid of the old product when you bring in new products.
- You may need to mark down the product. offer 50 percent off with the purchase of progressives free frames with the purchase of progressives create very aggressive second pair packages
- Set up a clearance area, and remove them from your board management allocation.
- Meet with your rep to find out about exchanging it out for a different line they carry. I always like to give the rep an opportunity to work with me.



Tips For Buyers

Questions When Considering New Product

- How will it impact your practice image?
- Will it help create distinction or create competition with low end discounters?
- Do I have another line that is similar?
- Does it compete for a price point?



Tips For Buyers

Replace Quickly

Whether or not you use a budget philosophy, the bottom line:

- If you sold it you need to replace it.
- Good retailers react quickly to popular products. When they sell quickly, they replace quickly to maximize upside and turnover with that brand or style.
- Successful retailers do not say, "I can't replace it because I did not budget for it." All consumers have experienced the frustration of popular products being out of stock. Why give your patients another reason to go elsewhere?

Tips For Buyers

Ask Your Rep What's Hot

- Ask your reps for their top 10 best styles in the two best colors in your area.
- There is no need to guess which styles to pick.