

# THE FASTEST WAY TO HIGHER CIRCULAR ROI

There are many methods retailers use to make their circular work harder, but the *fastest* way to improve performance is by using analytics to help select products - particularly on the covers.

The first step to better product selection is to measure actual product performance. Penfield's circular optimization toolset measures lift from feature by controlling for external factors in the market (seasonality, prior promotions, pricing trends) in order to provide units, sales and margin lift metrics in a clean and concise way.

*"The [item placement] allocation meeting used to be called "the dog-fight" as various people battled for the covers. With actual metrics in place it's a much more strategic discussion that gets us better results."  
-Fortune 50 Retailer*



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## Find more winners or Prevent more losers?

One specialty retailer adopted the Penfield toolkit and grouped SKUs into one of four categories based on their historical performance: **Strikeouts**, **Low Responders**, **Promo Tradeoffs**, and **Home Runs**.

Units: <b>Low</b> Sales: <b>Low</b> GM: <b>Very Negative</b>	Units: <b>Small</b> Sales: <b>Flat</b> GM: <b>Negative</b>	Units: <b>Med</b> Sales: <b>Small</b> GM: <b>Negative</b>	Units: <b>High</b> Sales: <b>High</b> GM: <b>Positive</b>
Strikeouts <b>11%</b> Percent of SKUs	Low Responses <b>47%</b> Percent of SKUs	Promotion Tradeoffs <b>28%</b> Percent of SKUs	Home Runs <b>14%</b> Percent of SKUs

Early on there was a lot of excitement in the merchant community about the **Home Run** SKUs, with a lot of effort spent searching for more products that could behave similarly well. These efforts had some success, but it proved very hard to identify which aspects of the product contributed to its success in the circular.

As they evolved, they found easier and bigger impacts by examining the **Strikeouts** at the other end of the success spectrum and simply not repeating them in future circulars. Even if the replacement SKUs were no better than the average, the positive impact was significant.

Despite the fact that Strikeouts only made up 11% of the SKUs on the circulars, they accounted for more than 75% of the negative margin impact. **The impact was clear: less than 2 years later they had improved the circular ROI by over 80%.**

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