Measure Monitor Manage

Not the most glamorous, but your financials are the vital signs that can determine right away if you are in need of triage, treatment or just TLC.

Just like your temperature, blood pressure and pulse are clear gauges of your body's good health, your financials also known as your key performance indicators (KPIs) are black-and-white indicators when it comes to your shops overall health. Know these and share with your team regularly.

There are many good reasons to have a shop at your venue with both hard and soft benefits, BUT whatever happens it must make money.

Critically, it must also be understood that **TURNOVER is VANITY, PROFIT is SANITY**.

It is profit that pays the bills, keeps the lights on and pays the wages of the staff – not turnover, so you need to know if your shop is making a profit.

What is GROSS PROFIT?

Gross Profit is simply the difference between Cost Price & Selling Price, excluding VAT, normally expressed as a percentage. Gross profit percentage is the difference between the value of net sales (sales excluding VAT) and the cost of buying in the products that you sell (the cost of sales) expressed as a percentage of total net sales. Different products that you buy-in and sell will achieve different gross profit margins – by changing the mix of product sales, you can significantly alter the overall gross profit percentage you achieve.

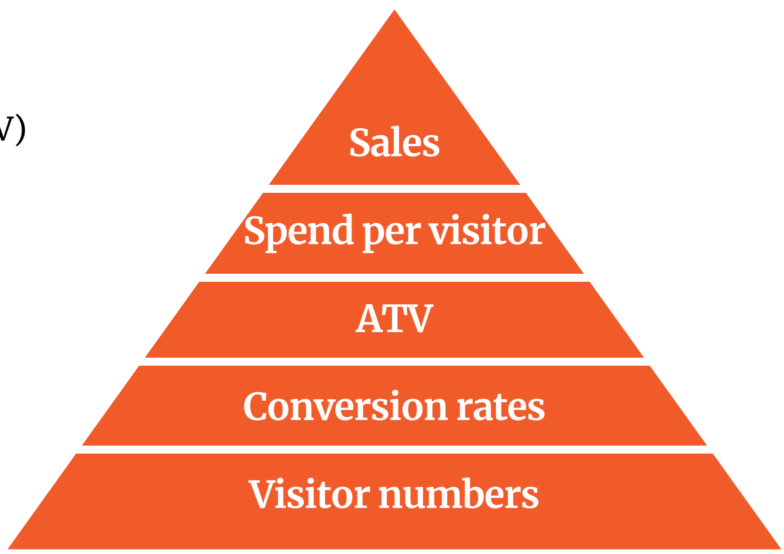
What is NET PROFIT?

Net Profit is the value that is left after all the costs to run your business have been taken away, these include VAT, cost of sales, overheads.

In order to improve your profit you need to understand what are the KEY PERFORMANCE INDICATORS (KPIs) that will help you, be able to set targets to improve them , and monitor these to see how well you are doing against your targets.

What are the most important KPIs?

- Visitor numbers
- Conversion Rates
- Average Transaction Value (ATV)
- Spend per visitor
- Sales



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What is Average Transaction Value (ATV)?

ATV is the total value of your sales divided by the number of transactions through your till(s). ATV is a measure of how well you are "selling" to your customers and is therefore influenced by your product offer, how well it is presented, how well your staff are up-selling other items and whether you are offering good value for money.

See *How to Improve your ATV* fact sheet for some practical ideas and suggesons

What is Conversion Rate?

Conversion rate is calculated by dividing the number of transactions through your till(s) by the number of visitors to your museum.

Conversion is about people – turning your visitors into spenders by promoting your shop effectively, targeting your offers and giving your visitors a compelling reason to come in purchase from you.

See *How to Improve your Conversion Rate* fact sheet

What is Spend per Visitor (SPV)?

SPV is the total value of your sales divided by the number of visitors to your museum, regardless of whether they have visited your shop or not. It is like ATV in that it measures spend, but is also a measure of how well visitors have been converted into customers.

*Given that not every visitor will make a purchase, it will always be lower than ATV.

Visitor Numbers

Visitor numbers are key to understanding your retail performance. The numbers give you insight into what you can expect your shop to do. Is the museum putting on a new exhibition? Are there building works happening? Are the opening hours changing?

You must know what is being planned so that you can then do your job – turning the visitors into customers.

Sales

The money through the till. You need to know where you are against the previous year, and against your budget. Like transactions, the past year could be as much as 20% lower than other years. But is it an anomaly or part of a larger trend?

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Top Tips

1. Monitor your KPIs on a weekly basis
2. Share your KPIs with everyone – upwards with management and your staff and team
3. Respond to your KPIs – don't just monitor them – respond and take action
4. Never compromise on mark-up – gross profit is vital
5. Know your bestselling lines – review every week and make sure that you don't run out of stock and ensure they are in the best position
6. Beware of over-stocks – be careful of buying too much
7. Beware of over staffing – control overheads the largest of which is staffing

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