

# More Learning = More Earning

## *Learn From High-Profit Retailers*

**M**aintaining a profitable retail enterprise is essential in today's turbulent economy. Despite the tough times, PDRA members can do many things now to help their businesses maintain profitability while positioning themselves for future success. Recently released data from the North American Retail Hardware Association (NRHA), who kindly provided the metrics communicated in this article, offers paint dealers substantial insight in how to accomplish greater profitability.

Per the NRHA, there are 20,100 independent hardware stores selling \$38.3 billion of good and services in North America (2007 data, which only includes independents, not home centers or lumberyards). What I found most interesting is the differences between how the most profitable retailers operate compared to the rest of the pack. By analyzing best practices of these successful hardware stores, paint dealers may learn many valuable profitability secrets for themselves.

### High-Profit Retailers

First of all, an impressive 8.9 percent average profit before interest and taxes was the norm for the high-profit stores—more than triple the 2.9 percent median figure for the industry (high-profit stores are defined as those in the top quarter of profitability for all independent stores). Of interest, the data shows store size is irrelevant in the profitability equation, as 8,000 square feet is the norm for high-profit and median-profit retailers alike. And while retailers in many industries have been cutting staff in an effort to boost profitability, the most profitable hard-

ware stores had 9.5 employees compared to 8.5 for a typical store, so it would seem that reducing head count is not a path to retailer profitability.

Also of interest, the value of the inventory per square foot is similarly unimportant when it comes to understanding what accounts for higher profits (\$46 per square foot for the median as compared to \$43 per square foot for high-profit stores). The NRHA data contends that high-profit stores exist in every market type and that an independent retailer's proximity to a big-box store is a non-issue when it comes to distinguishing high-profit stores from the rest of the pack.

So, now that we have tossed aside several surprisingly irrelevant factors, what can it be that enables high-profit leaders to achieve \$194 of sales per square foot versus \$145 of sales per square foot for the median retailer? And what is the secret of high-profit retailers who are achieving \$85 of gross margin per square foot as compared to \$59 of gross margin per square foot in the median stores?

### Local Relationships

According to the industry overview, the Number 1 success factor in running a profitable, independent retail store is local relationships. Nothing is more important than developing and nurturing long-term, positive relationships in your local community.

To elaborate, the report highlights seven differentiators—areas where high-profit stores outperform their less profitable counterparts. Nothing in my mind would suggest these factors would be different for PDRA stores.

- Better greeting experiences
- Better problem-solving
- More in-store product customizing



By **Tom Hatcher** Purdy Senior Product Manager and PDRA Advisory Committee Member

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Paint dealers who excel in providing these in-demand services and superior customer service experiences will position themselves for improved profitability now and in the future.

The NRHA also relates how successful independents, rather than going head to head with the big boxes on assortments, are exploiting opportunities to fill important local market needs in specific categories.

Further, as home centers increasingly offer private label merchandise, independents increasingly are beefing up their selection of major brand offerings while also going broader and deeper in their selection to fill in assortment gaps the larger retailers leave open. Finally, profitable independent

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retailers are investing in advertising to promote their selection of well-known brands, deep product assortment and exemplary customer service.

Your Paint & Decorating Retailers Association offers retailer education workshops and training programs throughout the year to help independent stores run profitable, successful enterprises. Please consider attending a workshop at the upcoming PDRA

Show and Conference at the National Hardware Show® in Las Vegas later this spring.

To learn more about how the PDRA can help educate you and your staff to profitably succeed in this challenging economic environment, I encourage you to contact Mark Schulte, PDRA director of membership and education, at (636) 326-2636 or [mark@pdra.org](mailto:mark@pdra.org). ■

## PDRA TO AWARD \$5,000 SCHOLARSHIP

### Scholarship applicants may only be nominated by PDRA retail members in good standing

- 🌿 Applicants must be an immediate family member of a PDRA retail member, or a PDRA member's employee or a member of an employee's immediate family.
- 🌿 Each applicant must submit a 500-word essay, describing how he or she will use the scholarship and why he or she feels deserving of the award.
- 🌿 Scholarship applications must be received at PDRA offices by March 20, 2009.

**Scholarship packages and complete information were mailed to all PDRA retail members of record in January 2009.**

PAINT & DECORATING RETAILERS ASSOCIATION  
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