Front-End Reality Check

Understanding, verifying, and unlocking front-end sales opportunities

When most store owners are asked what their percentage of OTC sales to total store gross sales is, typically the answer is 10 percent. In all cases it is **not** 10 percent. For an accurate number, we have to look at what is considered OTC, sometimes also referred to as HBA (health and beauty aids) or HBC (health and beauty care). A broad definition of what qualifies as OTC is an item that can be purchased without a prescription and is found in the traditional health and personal care categories. It **does not include** DME, greeting cards, gifts, candy, and general merchandise.

In a perfect world with no big box stores or dollar stores nibbling away at your front-end sales, 10 percent would be a reasonable figure, but in this world, at least 7 percent is realistic. Here's how you can maintain and grow that number:

- **Action Item:** Determine your percentage of OTC sales to total store gross sales is by running a 12-month report showing sales of your OTC sales as described above. If you find your number is between 2 to 4 percent, it is most likely caused by an uncompetitive retail zone choice or an inventory system that is peppered with only one or two of each item on the shelf.

- **Action Item:** Contact your wholesaler and ask for verification *in writing* of what zone your retail is set at and what options are available to you. Also ask for a detailed report of all items that appear with unique pricing (meaning that the zone retail has been overwritten or has no zone price attributed to the item). Anemic inventory will invite customers to shop elsewhere.

- **Action Item:** Today, count the "holes" and "onesies" on your OTC department shelves. Note: a missing item on the shelf that is expected to come in with the next order is still a hole. If you average more than three holes per 4-foot section, then you are in the danger zone. If 75 percent or more of your inventory is represented with onesies, then you are prime for a new inventory policy. Start by having on the shelves no fewer than four of the 10 best-selling items for each category and no fewer than 2 each of the remaining items.

Oversize OTC categories dwell in a number of stores. Category sizes are sometimes chosen to fit the size of the fixture instead of the needs of the customer. Oversized categories can drain your inventory dollars and generate outdated product.

- **Action Item:** Make a list of categories you offer in your store. Without looking at the front end, write down the size of the department you think they should be. How close are you? Is it time to adjust up or down? You can fix a good deal of inventory problems with proper OTC ordering habits.

- **Action Item:** Order OTC departments at least three times a week; busier stores need to order at least five times per week. Pay close attention to items you are ordering more than twice a week; it may be time to boost the inventory on those products. It will save you labor and avoid lost sales.

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- **Action Item:** Begin your OTC order by starting from different ends of the store. Analyze ordering needs by looking at the base shelf and moving up (base shelves are often missed). Avoid compiling orders just before closing. Time constraints for completing an OTC order will create a rushed order and items may be missed.

Competitive pricing should not be confused with having the best price in town. Competitive pricing needs to be just that – competitive; not too high as to take a customer's breath away, but lower than what you expect to find on a cruise ship and reasonably higher than a dollar store. You're the professional with extensive medication knowledge; there is much value in that. There's no reason to try to win a pricing war and lose sales in the process.

-- *Gabe Trahan, NCPA Senior Director of Store Operations and Marketing*
NCPA's Front-End *Overhaul*

