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Best Practices for Merchandising Audits

Introduction

In order for a company to stay in business, a strong retail execution strategy must be implemented. For a business to be truly successful, however, both the field reps and the retailer must closely follow this retail executive strategy. Merchandising audits provide regular check ups on retailers, ensuring that they are complying with the agreements that you have made regarding product location, shelf space, product displays, pricing, and promotion. In addition, through regular merchandising audits, you can avoid out of stock instances, ensure products are displayed properly, check competitors' pricing and promotions, and collect and analyze data and adjust accordingly.

Current Concerns

It's the middle of the week, and your field rep is in a slump. They've done audit after audit, and they're exhausted from filling out paper forms and making phone calls, from checking prices and spending thirty minutes too long in the freezer. With a sigh, they scrawl something onto the audit form, get it signed, and leave to perform their next audit.

As beneficial as audits are, they are not effective if hastily done. Faulty or incomplete audits can cause your business to miss out on major issues, which often results in customer dissatisfaction and a loss in sales.

For a solution, it is best to first look at where the issues are stemming from. There are three concerns that impact the quality of your merchandising audits: working conditions, price checks, and human error.





Avoid walking around with a laptop during your audit. (Photo via drivelinetail.com)

1. **Working conditions.** In order for your rep to perform at their best, they should have optimal working conditions. According to a [study](#) published in Educational Research International, the nature of the physical condition under which employees work is important to output. If your field rep is taking audits in a freezer, and the audit is taking longer than expected to perform, they will work faster or omit some parts in order to escape these less-than-ideal work conditions. Also, if there are many disturbances, like customers milling around the shelves where your field reps are auditing, they may be distracted and more likely to make a mistake. Both of these concerns are worsened by the time-consuming methods it typically takes to perform an audit- it can be frustrating to take audits over the phone due to the high chances of miscommunication, and filling out paper forms or using Excel sheets take a long time because the field rep has to manually input all of the data.

2. **Price checks.** For products that are not easily distinguishable (e.g. screws, greeting cards), it can take the field rep a long time to determine which product is which, check if it is in the correct place, and make sure that the retailer has enough product in stock. In addition, there might be too much data to record on one form, so the field rep may not price check all of the items.

3. **Human error.** Physical forms are easily lost or damaged, and can be hard to read due to the field rep's handwriting. Some reps may forget to record some information, or purposely omit information in their haste to finish the audit. In the case of phone audits, if the field rep cannot hear their supervisor well, the miscommunication may result in faulty audits.

The Solution

Make the transition from paper, Excel, or phone to electronic/mobile forms. Even though technology has progressed significantly, many companies are still using paper forms. One such example is seen in a case study done about McCormick's, which recently made the switch to electronic forms. This change resulted in a far more streamlined process, especially due to the use of customized forms and a collective hub for the data collected. There are a couple of applications for these forms, but the most prominent one is Field Activity Management (FAM) software.

FAM software has [proved helpful](#) to many companies and is useful in a multitude of ways. It provides customizable forms, allows you to collect and analyze data, and facilitates easy communication between field rep and the home office.



The Benefits of Transitioning

Making the switch to electronic forms provides a variety of benefits. Not only does it make it quicker and easier for field reps to record data, but also cheaper. They reduce errors and allow for easier data analysis. Finally, they offer the ability to take pictures, which makes it easier to pinpoint problems.

Save Time. A field rep's [time is precious](#) - their time should be spent on core activities, not administrative processes. Electronic forms eliminate the need for data re-entry, saving time for both the field rep and for their managers. Without the need to hand write everything, the actual auditing process is also quicker, so field reps will be in better spirits at the end of each audit and will be more motivated to complete the audit to the best of their ability. Electronic forms ensure that the reps will go in, perform the audit quickly and effectively, and go out. This allows for reps to perform more audits, increasing productivity.

Save Money. Paper forms cost money to print, file, and store, all of which is rendered unnecessary after switching to electronic forms. Resource Information Systems Inc. (RISI) [estimates](#) that U.S. companies will spend about \$8 billion per year on managing paper. Many of these costs can be cut by [going digital](#) - you will no longer need to purchase paper and ink for printing, buy cabinets for filing, or find a location for storage. [For example](#), if your business only has 15 reps, you will be spending \$1,200 on paper alone and \$2,165 on storage costs. This, however, is small compared to the time cost of paper forms- **your business might be losing \$15,067 per year** because of inefficient use of time. For a more in-depth look at the cost benefit analysis of paper vs. electronic forms, see [this](#) marketing brief on the cost analysis of digital and papers.

Reduce the possibility of human error. By having field reps fill out a form on their mobile device, they no longer need to carry around stacks of papers that they could potentially misplace or damage. They also don't need to write anything, so their handwriting can't be misread, thus creating consistency in the auditing process.



Easier data analysis. Electronic forms can also be easily customized, making it easy to adjust each form to each specific retailer. All the data can be gathered and stored in one place (the Cloud), making it more accessible and allowing for quicker data analysis. Analyzing the data collected during merchandising audits is vital because it gives you important retail insight. Data storage on the Cloud provides for easy access of data because it is all stored in one place. If one field rep needs information from another field rep's audit, it will be on the Cloud.

Ability to take photos. An important feature in mobile apps is the ability to take photos and send them directly via the app to the home office. This is beneficial on many levels. Pictures can give the head office a clearer idea of what is going on in the store than a field rep's description could provide. It pinpoints what and where the problems are in the store without the hassle of entering in a lot of data on the forms. It also allows you to see areas that are performing exceptionally well. These photos can also be stored in the Cloud, allowing for easy access whenever necessary. Lastly, they provide photographic evidence that the rep did the audit, which pushes reps to put forth their best work.

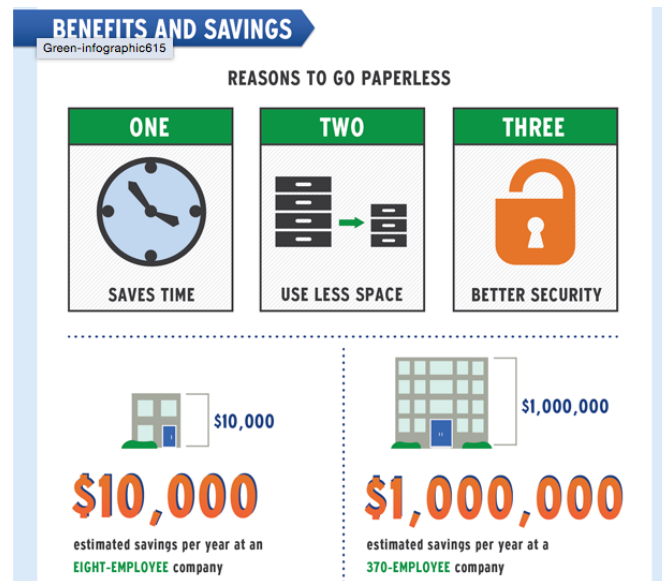


Image courtesy of idatix.com

Best Practices for Merchandising Audits

In order to fully maximize the benefits of your audit, take these steps: analyze data, use competitive pricing/analysis, and perform regular audits.

1. The Importance of Data Analysis

As previously stated, the benefit of electronic forms via mobile apps is that all the data is collected and stored in the Cloud. There is a lot of insight that can be gained from analyzing this data. Here are [5 basic questions](#) to provide you with a springboard for this analysis:

How are my products selling and why?

You can track product sales through these audits by seeing which ones sell faster or have greater demand than others. Evaluate why these products are more popular - is it aesthetic appeal, pricing, marketing, etc.? Based on your findings, you can either choose to adjust your product or adjust your marketing, or simply choose to manufacture more of the popular products and less of the other products, which may be reaching the end of their growth cycle.

How are my products performing at different locations and why?

Using data from the audits of the different retail locations, you can determine if some products sell better at certain locations. You should consider the different customer demographics of each retail location and may want to adjust your products to better fit each location if you're finding that some product sales are lagging. If all your products are not performing well at a certain location, further inspection of the location may be needed.

How effective are my promotions and why?

Promotions help boost sales, but some promotions are more effective than others. Analyze the data from different promotions and see which ones were the most effective. Ask yourself why they did so well: was it the timing? The product? The signage? With this data, you can use the successful promotion



as a model for your future promotions.

How are my product sales and profit trending and why?

It is important to also look at the overall trends of product sales and net profit. This is because trends can help you make sales forecasts, which [benefits your business](#) by increasing revenue, customer retention, and efficiency.

What are my current and potential out of stock situations and how can I remedy this?

What products are most often out of stock (OOS)? Is this because consumer demand for these products is greater or because the retailer is not communicating well with the distributor? Ask yourself why your current OOS instances are occurring and take steps to fix them. With the current OOS data, you can also better predict what potential out of stock situations may arise. With these predictions in mind, you can create solutions to avoid OOS before it even happens.

2. The Impacts of Data Analysis

It is important not to just collect data, but to analyze it as well. Raw data is just numbers, but analysis can help you gain valuable insight into what will do well in the market, which is especially helpful if you are trying to launch a new product or adjust your products/marketing to increase sales. It can also help you identify key performance metrics. After thorough analysis, you have a better idea of what adjustments and improvements to make to your business in order to make it more successful. Markets are rapidly changing, and it is vital for businesses to be able to adapt and evolve along with the market. Changes in consumer demand, economic conditions, and world/domestic politics often create a need for management to make quick decisions, and data analysis simplifies the decision making process. According to Chron.com, effective data analysis (and subsequently its transformation into user-friendly data) helps companies “identify growth opportunities, understand customer preferences and increase competitiveness.”

Looking backwards can also help you in assessing how your brand is doing. Through storage of client history, you can monitor your brand’s growth over time.

There are financial incentives to practicing effective data analysis as well - [researchers from the University of Texas](#) have found that by analyzing data and transforming it into useful information, the average company can increase its annual sales per employee by 14.4%, equating to a \$55,900 potential increase in productivity.



3. Competitor Audits

In order to keep a tab on your competition, it will prove beneficial to gather and analyze data from your competitors as well. This can be done during audits by checking competitors' prices, labels, shelf location, promotions, and packaging.

Competitive pricing is imperative if you want to be successful in your industry. You can price your products competitively through [price audits](#), which list your competitors' products and/or SKU numbers along with the retail price. These audits allow your business to see how your product prices compare with that of other businesses in the industry. With this data, you can adjust or affirm your current pricing structure. You can also develop new pricing strategies if need be, or design future sales and promotions.

Competitors' shelf location is also important. If they have better shelf placement, then customers may be more inclined to purchase a competing product over yours. If a competing product is adjacent to yours and can be an easy substitute, you should ensure that your product is more appealing, whether that be price-wise or packaging-wise, to persuade the customer to buy it. Generally, pictures are the best way to collect data on shelf location because it leads to easier analysis in the future.

If your competitors have been running successful sales and promotions, take a page from their book and see what they're doing right. Take note of their in-store signage, displays, and promotional pricing. If you can pinpoint exactly what makes their promotion a success, you can use that as a basis when planning your next promotion.

Aesthetic appeal is a [main factor](#) in attracting customers, and so you want to make sure that your [product's packaging](#) is equal to, if not better than, that of your competitors'. Some things to consider are material, consumer associations, and current trends. For example, if your competitors are all using eco-friendly packaging, you may want to do the same in order to stay up to par. Packaging conveys a brand's personality, so you want to package your product to best represent your brand. Think about Tiffany's iconic blue boxes- it outperforms many competitors because it is known for its packaging. For a more in-depth look at how



to package effectively, take a look at our *Best Practices Guide to Great Packaging*.

4. Perform Regular Audits

Through these merchandising audits, you have a fairly accurate depiction of what is going on at your various retail locations. Aside from reducing OOS instances, you can also track and measure retailer compliance and in-store execution. Regular audits result in [an increase in customer satisfaction](#), because if you make sure that your products are where they need to be when they need to be, customers will be pleased. Merchandising audits allow you to protect your brand by ensuring that your products are accurately represented in their best quality in each retail location. Due to all of these factors, audits will earn you more than they cost you. Make the most of your audits by using these tips to audit effectively, especially after transitioning to electronic forms and implementing the necessary tools to better analyze data. Ultimately, your field reps will thank you for making their job easier, and your business will improve as the field reps strive to perform their best.





Avoid situations like this by performing regular retail audits.

Summary

Not only do merchandising audits ensure that retailers are correctly implementing your retail execution strategy, they allow for you to evaluate and assess the results of your merchandising efforts. There are many concerns associated with the current method of using paper, Excel, and the phone to perform audits. Field Activity Management software can help you address these concerns and maximize the benefits of your merchandising audits through its ability to store all the data securely in the cloud, which allows for easy data access and analysis. It also provides all the benefits of paperless forms by saving you cost of time, labor, and materials, as well as the reduction of human error. By using electronic forms and a cloud-based system, you can ensure that your business is realizing all the benefits gained from performing regular merchandising audits.

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