Action Plan for the Grocery Outlet

My colleagues and I at BCM and Associates ran an in-depth analysis using the data you provided us from the Grocery Outlet from 2001 to 2021. Based on our findings, we have outlined an action plan below that gives detailed instructions on what steps to take, how much these steps will cost and how much of an increase in revenue you can expect based on how significant the given business practice is when predicting revenue.

1. First, we suggest that less attention be paid to customer complaints. When trying to predict revenue, the number of customer complaints was not found to be a good predictor. No more than a few minutes per month should be allocated to a quick scan of the complaints to determine whether there are any major trends (i.e., if the majority of complaints are focused on one singular business practice, then we can consider a change; otherwise, do not spend too much time analyzing complaints because the number of customer complaints are significant when trying to predict revenue).
2. Next, we advise that you substantially cut back on the number of marketing campaigns you run because these we not found to be revenue drivers. Some years, such as 2001, 2005 and 2007 had comparable numbers of marketing campaigns (118, 111, 123) but drastically different average daily revenue numbers ($28,209; $20,983; $14, 949). We would encourage you to start back at square one with advertising and see what happens to your revenue numbers if you don’t run any add campaigns for a year (with the initial year, we need to understand how our other recommendations as a whole affect revenue, then we can incrementally reintroduce our marketing campaigns to see how they affect revenue). Do not add any more than 5 ad campaigns per year each year since we predict that the effect they have on revenue will be minimal at best.
3. Another recommendation we have is to rent out your end of isle displays to vendors. Much like the other business practices we have listed thus far, this practice was found to have a negligible effect on average daily revenue, so the store-brand displays should be removed so that we can use the space to generate definitive revenue from the vendors that use our store to sell their products.
4. Also, we suggest to gradually reduce your headcount (of employees) until you find an optimal number of associates is reached. Since the analysis we ran indicated that the number of employees were not a significant predictor of average daily revenue, the store should reduce the number of employees to maximize profit until a point is reached where the store cannot operate efficiently if additional employees are released.
5. Next, we would like to recommend that coupon adds are reduced in number much like the number of marketing campaigns are reduced. For the first year, do not publish any coupon ads. This should free up a substantial amount of revenue because no money is being spent on renting space in a magazine, mailing coupons or printing and we are not suffering losses associated with giving some items away for free or at a significantly reduced price. If customer complaints suggest that we are losing valued, long-time customers because of this decision, then we can reintroduce coupons gradually. However, we advise that, if the decision to reintroduce coupons is made, only do so in a digital format (email, text or downloadable application). This way, cost for the actual production of the coupons is still cut down drastically.
6. Finally, and perhaps the important part of this report, we *strongly* suggest that you focus most of your advertising efforts on television ads. To be specific, when we ran the numbers based on average daily revenue across all 20 years, we found that each tv ad was responsible for approximately $1,500 in daily revenue. We also found that average in-store traffic count per day was a good predictor of revenue, but each customer only accounted for roughly $8 in average daily revenue and it is also possible that average foot traffic is dependent upon the tv ads. To be most cost-effective, we recommend focusing great deal of your efforts on tv ads and pay attention to how gradually increasing these ads on an annual basis affects revenue.

**CONCLUSION**

In sum, we at BCM advise that the number of advertising campaigns and coupon printed ads be drastically reduced to cut costs because these were not found to be revenue drivers. However, advertising campaigns should not be omitted completely, because television ads were found to be the most significant variable when trying to predict revenue. Hence, our analysis yields that all marketing campaigns that are not focused on television as the medium should be ceased. This should free up a great deal of revenue by cutting costs significantly. For the first year of switching to a ‘tv-only’ advertising style, start with a modest number of tv ads (between 5 & 7) so that management can best determine how much revenue is generated by adding additional television ads the next year. We suggest that the number of television ads is increased annually until a point of diminishing returns is met.

Some of our other secondary recommendations include paying less attention to/allotting less employee time to analyzing customer complaints, renting out end-of-isle displays to vendors, and reducing the headcount of employees until a minimum operating capacity is met.

These recommendations were generated using statistical analysis to uncover which business practices were the best predictors of average daily revenue. The only two practices that were found to be good predictors were number of television ads and average in-store traffic count. Hence, we made the suggestion to reduce efforts in all other areas and concentrate efforts on television ads. We made no suggestions regarding average in-store traffic because each daily customer was only responsible for an $8 increase in daily revenue and it is also highly likely that television ads is a lurking variable for average in-store traffic and average daily revenue.