



Cornell's Hardware

Company Facts

- Location: Eastchester, New York
- Industry: Hardware and Home Center
- Number of Stores: 1

Cornell's Hardware Increases Margins with Better Inventory Planning, Pricing and Merchandising

Cornell's True Value is a thriving hardware business. Since 1909, Cornell's has offered a diverse mix of hardware and housewares along with rental and repair services. Like most retailers, Cornell's president, John Fix III, is always looking for ways to improve business health and increase profit. "A retail business like ours is inherently competitive and challenging to manage. There is always this sense that it can be done better," explains John. "No matter how well I think we are doing at increasing sales, managing inventory or pricing competitively, I know that we can improve. The question is how."

Success Highlights

Challenges

- Forecasting product sales for better purchasing
- Pricing for maximum profit

Solution

- Epicor Pricing Planner
- Epicor Inventory Planner
- Epicor Performance Manager

Benefits

- Increased margin by 1.5%
- Improved accuracy of suggested order points
- Increase sales of end-cap featured items

Optimizing Inventory Investments

Cornell's has been using tools, techniques and data to make inventory decisions. "I thought we had squeezed all we could by using suggested order points to have good inventory turns and make wise inventory investments. We forecasted by using sales and inventory data from our Eagle system and had been using suggested order points for a long time," says John.

Today, Cornell's is using state-of-the-art forecasting models found in Epicor Inventory Planner. "Now we have a number of different forecasting algorithms to choose from and we can use different ones for individual SKUs. In fact, you can let the system automatically evaluate which of the 18 different forecasting algorithms is best for each SKU. There was no way to do this without Inventory Planner," continues John. "We can also more easily adjust our forecasting models as business conditions change. The more flexible models give us more accurate order points, which increases our confidence and will provide better investments in inventory."

Boosting Margins with Improved Pricing

Whether determining mark-up over cost, or adjusting prices to be competitive, effectively using data to make pricing decisions is critical, yet it's not always easily done. "It was a time-consuming manual process to evaluate competitive pricing. We'd visit stores and jot items down or look through their ads. In addition, we were never confident in which True Value suggested pricing tier we should use for each item," describes John. "Then we faced implementing price changes, which was also time-consuming."

“We’ve gained 1.5% in margin in less than one year and margin is still increasing.”

John Fix III, President

By using Epicor Pricing Planner, John now has the ability to better utilize True Value’s suggested retail pricing levels by adjusting prices at an item level. “I decided to take advantage of higher margins and set my retail price to True Value’s Price Level Two, but only for certain items,” explains John. “Instead of running a large batch of price changes every few weeks, I can do three or four smaller sets of price changes in a single day. It’s more flexible and saves a lot of time.”

Cornell’s collects and uses competitive pricing data with smartphones. While at competitors’ stores, managers simply identify the competitor and scans items. “I easily see our items with pricing much higher or lower than our competitors. We can now quickly adjust those prices,” continues John. “We don’t have a big box store nearby, but for stores that do, this would be an indispensable tool.”

Perhaps the most important pricing weapon John relies on is the ability to analyze the effect of pricing changes. “If I consider raising an item’s price by two percent, I can see how it will translate to sales and margin. I can more accurately assess price sensitivity so that I can find the ideal price point where I make more margin even if fewer units are sold,” remarks John. “I also use ‘what if’ analysis to determine where we should focus our pricing attention. I take an area or product class and apply a hypothetical price change to see the total effect. From that, we prioritize our time.”

Cornell’s True Value has increased margin and eliminated a lot of manual pricing tasks. “The ability to analyze pricing and perform more pricing changes has been terrific for our business. We’ve gained 1.5% in margin in less than one year, and margin is still increasing,” asserts John.

Using Data to Monitor the Business and Make Informed Decisions

Performance monitoring is evolving from intuition, to reports and spreadsheets, and more recently to real-time dashboards. John now uses data from Epicor Performance Manager to readily understand his business and make adjustments to improve the bottom-line.

“I see my business health in just a few dashboards or screens, including inventory, sales, accounts receivable, and important metrics like GMROI, turns, days outstanding and more. And I can drill into the details as needed to really uncover underlying causes. I can also analyze the effectiveness of discount coupons or other offers, like ‘Buy One Get One’,” says John. “With that knowledge, I can readily see and solve problems and make changes.”

Epicor Performance Manager has analytical tools that help Cornell’s use data in new ways. “Market Basket is a very powerful tool that identifies items that customers purchase at the same time. I can then merchandise those items together to increase sales,” describes John. “For example, True Value recommends that leaf rakes and gloves to be merchandised with paper leaf bags. The Market Basket analysis showed that in our store plastic trash bags should be merchandised with paper leaf bags instead. In 2011 we sold less than a dozen rakes on an end cap with paper leaf bags, while this year we sold about 60 boxes of plastic bags during the same time period. That generated an extra \$250 is margin for the same display location.”

“Performance Manager exposes my managers and me to data and metrics we didn’t have before. We are more aware of our business and find new opportunities for improvement that we then pursue. It’s a fantastic tool for improving business performance,” concludes John.

About Epicor

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