COMMERCIAL INDICATORS USED IN THE RELATIONSHIP OF THE SHOPPING MALL MANAGEMENT AND RETAIL TENANTS MANAGEMENT

Prada Sorin
University of West from Timisoara
Faculty of Economy and Business Administration

Goje Gheorghe
University of West from Timisoara
Faculty of Economy and Business Administration

The shopping malls intended for retail commerce have at the base a complex dynamic, a tridimensional character, which includes as main parties the owners, the tenants and the consumers, who have to become constant clients of the tenants' shops in order the process to function. The complexity mark results from the additional requirements related to the presence of the appropriate variety of tenants (or shopkeepers), who can attract in an efective way enough consumers in order to sustain the business plan.
The retail dynamic imposes the cooperation between the owner and the shopkeeper, in order to achieve success, with the third party, the consumers. Usually, the shopping mall management is formed for satisfying the demands stated by the third party.
From a broader perspective, the paper proposes to offer solutions for the researchers and the organizations involved in a segment very well delimited from the retail field, respectively shopping malls.
The paper has a practical character because wants to offer argumentatively economical explanations in order to take decisions by the people who represent the shopkeepers from the shopping malls. Exactly, the paper has as main objectives offering the solutions for shopkeepers when they determine the measure of the trader's markups, of the rebates and discounts or the stocks volume.
The research has as support general economical indicators (trader's markups, stocks rotation) and indicators specific to retail management (the start-up margin, the constant margin, the gross margin, the percentage rebate etc.).
The problems related to the trader's markups, the rebates, the discounts, the volume and the stocks rotation which the tenants of a shopping mall have to confront need to be known not only by them, but also by the manager of that shopping mall.
The manager of the shopping mall has to understand aspects related to the stocks rotation, but also those related to the level of the trader's markups for each products category. This knowledge will help the manager to evaluate the business of the shopkeepers and their ability to afford a certain place, of a particular size in the shopping mall.
It's useful for the manager of the shopping mall to know the stock rotation for different kinds of retail goods. He can obtain this useful information by talking with his tenants who sell different goods, looking into the shopkeeper's trade records and reading speciality reports.

Key words: Shopping mall, tenant, management
JEL Codes: (M31-marketing; M39-Others)

Research Methodology

The methodology used in research is supported by two categories of indicators, namely:
• General economic indicators (gross margin, the speed of stock rotation);
• Specific indicators in retail management (start-up margin, constant margin, gross margin, percentage rebate etc.

Objectives of this Paper

This paper has a practical nature because it has proposed to offer economically argued reasons to support decision-making by those representing retailers placed in shopping centers. Concretely, this paper has as main objective providing solutions for retailers

when determining the size of the gross margin, the rebates and the price discounts or the stock volume.

Research Results

The shopping malls intended for retail commerce have at base a complex dynamic, a tridimensional character, which includes as main parties the owners, the tenants and the consumers, who have to become constant clients of the tenants' shops in order the process to function. The complexity mark results from the additional requirements related to the presence of the appropriate variety of tenants (or shopkeepers), who can attract in an efective way enough consumers in order to sustain the business plan (Shopping Center Marketing, 2001).

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1. Commercial mathematics at the retailer's level

A. The Gross Margin

The gross margin is the difference between the retailer's selling price for goods and the cost of the goods. The margin can be directly expressed in monetary units or in percentages (Dictionary of retailing, 1995). It will be calculated as follows:

Selling Price (SP) = Gross margin (GM) + Price of cost (PC)

Gross Margin = Selling price – Price of cost

Price of Cost = Selling price – Gross margin

When the margin is determined as a percentage, it can be expressed as a percentage of the retail price or of the price of cost. Almost all retailers express the margin percentage based on retail prices. The form of the equation is:

GM% for the selling price =(SP-PC)/SP x 100

The manager of a property must understand both the issues of stock rotation and the gross margin level for each category of products. This knowledge will help the manager to assess the business of the traders and their possibility to afford a certain space, of a certain size in the shopping mall.

The owners of small shops often struggle to compete with big retailers that can have lower margins due to a larger volume of business and to the lower prices they pay suppliers, over which the apply pressure. However, the trader who starts its activity by applying a too small margin, of 30% for example (based on price) and not of 50%, might fail to deal with costs.

Low prices may beat the competition, but other costs, such as discounts, advertising or scraps, will put the owner in financial difficulty.

My opinion is that if unable to compete with large shops through prices, small owners must focus on the quality of their services and must quickly respond to market requirements.

A1. The Start-Up Margin

The gross margin is affected by reductions, such as discounts for employees, lack of stock and discounts lower as the normal price, and the costs of reductions and cash discounts. Increasing the initial addition concernes all these factors as well as the operating costs and the desired net profit. It is the first increase of the addition made to an item and it is used to calculate the initial selling price at which the merchendise would be sold. The form of the equation is (Dollars and Cents of Shopping Centers, 1995):

Start-up Margin (SM) = (Operating costs + net profit + change costs + price reductions – cash discounts) /net sales.

A2. The Constant Margin

This represents the difference between the net sales and the gross costs of the sold merchendise through net sales:

Constant Margin (CM)% = SM%* (100% + reductions%) – reductions%

Constant Margin (CM)% (Ai)%*(net sales + reductions) – reductions

A3. Price Reduction

In determining the percentage of reduction in price that a retailer can get in order to achieve a gross margin, if the start-up margin was established, the retailer uses the following formula (Dollars and Cents of Shopping Centers, 1995):

Reductions% = (SM% - CM%) / (1 – SM%)

A4. The Gross Profit Margin

The gross profit margin (GpM) is the final gross margin, which is obtained by the retailer from the sale of inventory merchandise. The form of the equation is (Dollars and Cents of Shopping Centers, 1995):

GpM = CM – (change costs+ cash discounts)

B. Commercial Rebate

Rebates for cash payments or for quick-payments of bills are the way to convince the retailer to pay promptly. Commercial rebates may be composed of the following (The SCORE-ICSC's Handbook on Shopping Center Operations, Revenues and Expenses, 1995):

- Percentage rebate;
- The period of time when the rebate is applied;
- The net period that establishes the date when the entire amount of the bill has to be paid.

The dating can be calculated based on three time-elements (ICSC Keys to Shopping Center Management Series. Retail Activitys, 1996):

- Mentioning the billing date (BD): BD indicates not only the discount period for downpayment of the bill, but also the due date for the entire amount of the bill starting with the first day after the billing date.
- The date of the receipt of goods (ROG): ROG indicates the fact that the discount period for the downpayment of the bill and the due date of the entire amount of the bill starts the day of the receipt of goods.
- End of the month dating (EMD): EMD shows the fact that the discount period for the downpayment of the bill and the due date of the entire amount of the bill starts on the 1st of the next month. If the bill is dated after the 25th of the month, the discount period begins on the 1st of the next month.

C. Price Reduction of Retailers

One of the most difficult decisions a trader has to make reffers to the price reduction of the goods he/she would like to sell. Obviously, when the dealer has purchased the goods he/she was convinced that customers would buy them and even if they don't sell, he/she wouldn't believe that things are any other way (Prada S., 2005).

But if he/she keps the old, hard-selling merchandise in the store, this may harm his/her business because it imobilises capital and offers clients old, unattractive goods. If goods are not sold within a reasonable period of time (time varies depending on the nature of the goods), the operator should reduce their prices, free the cash flow and buy other goods that can be successful.

Alexander and Muhlebach believe that a systematic approach of reduction releases the pressures of price-setting, therefore it is advisable for them to be established scientificaly (Alexander A., Muhlebach R., 1997).

2. The Stock Problem at the Retailer's Level

A measure of success of a trader is his/her ability to rotate his/her stocks quickly. In general, the domain experts have the opinion that a 3-4 times rotation of stocks a year is good. Very expensive goods, such as jewelry, may have a rotational speed of two times a year and yet the business can be considered a successful one (Alexander A., R. Muhlebach, 1997).

To achieve a maximum stock rotation, traders bring new goods and expose them together with their prices. If not sold, in what the dealer considers a reasonable time, he/she reduces the price to sell them quicklier.
A shopping mall manager that understands the concept of stock rotation can use this information when assessing the possibility of a tenant to be successful.
It is useful for the property manager to know the rotation speeds for different categories of goods in the retail trade. He may obtain such information by talking to its tenants who sell various goods, by studying the books of various traders and by reading speciality reports (The Trimestrial research magazine of ICSC, 1996).
I am convinced that, in most cases, traders are reluctant to provide financial information (results) on their business, even if it comes to the shopping mall manager. If there is no clear stipulation in the leasing contract on the obligation of providing certain financial information, the manager will find it very difficult to convince the traders to offer this information.

A. The Stock Rotation Speed

Stock turnover measures not only the balance level between the inventory and the sales of the retailer, but also the speed with which goods enter and exit in a store or a department (Irwing R., 1996).
Stock turnover is expressed in value or in quantity, in physical units (pieces) or in monetary units (lei, euro, dollars), as follows (The Retail Challenge Clip Tips, 1996):

Unitary Stock Turnover = number of units sold / the average stock for the time period in physical units
or
The Stock Turnover at Retai Price = net retail sales / the average inventory in value units
or
The Stock Turnover at Cost Levelled Prices = net cost levelled price sales / the average inventory at cost levelled prices in value units.

1. The Average Inventory

To calculate the value of the stock turnover, the monthly average inventory has to be determined .The form of the equation is (Shopping Center Study Lease, 1994):

The Average Inventory = (SBM (the value of the stock at the begining of the month) + SEM (the value of the stock at the end of the month)) / 2

In order to find out the average inventory for a season the SBM indicators (the values at the beginning of the month) have to be added up and then divided by the number of SBM indicators of a season. The fact that a six month season has seven SBM indicators must be taken into consideration.

2. The Impact of the Stock Turnover Indicator over Sales and Results

The relationship between the stock turnover and the sales can be determined as follows: (*ICSC Keys to Shopping Center Leasing*, 1998):

The Stock Turnover = the net sales / the stock average
or
The Stock Average = net sales / the stock turnover
or
The Net Sales = the stock average * the stock turnover

The values of the number that indicates how many times the merchandise changes has a dramatic impact on overall profits. Another change can be the difference between profit and loss. Changing an additional lot can still translate into the existence of an item sold to each customer.

B. Stock Volume

The retailers' slogan "You cannot sell if you do not have goods" means in fact that a retailer cannot have sales if his/her shelves are almost always empty. A shop which reduces its stocks and has empty shelves is likely to have problems, the volume of sales dropping more than surely.

Traders buy goods generally depending on the retail selling price, which makes the comparison between sales and stocks as well as calculating amounts available for new acquisitions easier. To determine the average stock of a store within a certain period of time, the retailer adds the stock value from the beginning of period to the stock value from the end of the period, then divides the sum by two.

If the dealer can not deal with rent, the property manager should see if the stocks increase or decrease in volume and why. If the stocks rise, but sales are weak, the trader lacks of liquidities. On the other hand, sales are weak because he/she may not have enough goods - so he/she has too little to sell.

Conclusions

The issues relating to the gross margin, commercial rebates, discounts, volume and speed of stock rotation that tenants of a shopping mall are facing should be known not only by them, but also by the manager of that certain shopping mall.

The property manager must understand the issues related to stock rotation and those concerning the level of the gross margin for each category of products. This knowledge will help the manager assess the business of traders and their ability to afford a certain space, of a certain the size in the shopping mall.

It is useful for the property manager to know the rotation speeds for different categories of goods in the retail trade. He may obtain such information by talking to his/her tenants who sell various goods, by studying the books of various traders and by reading speciality reports.

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