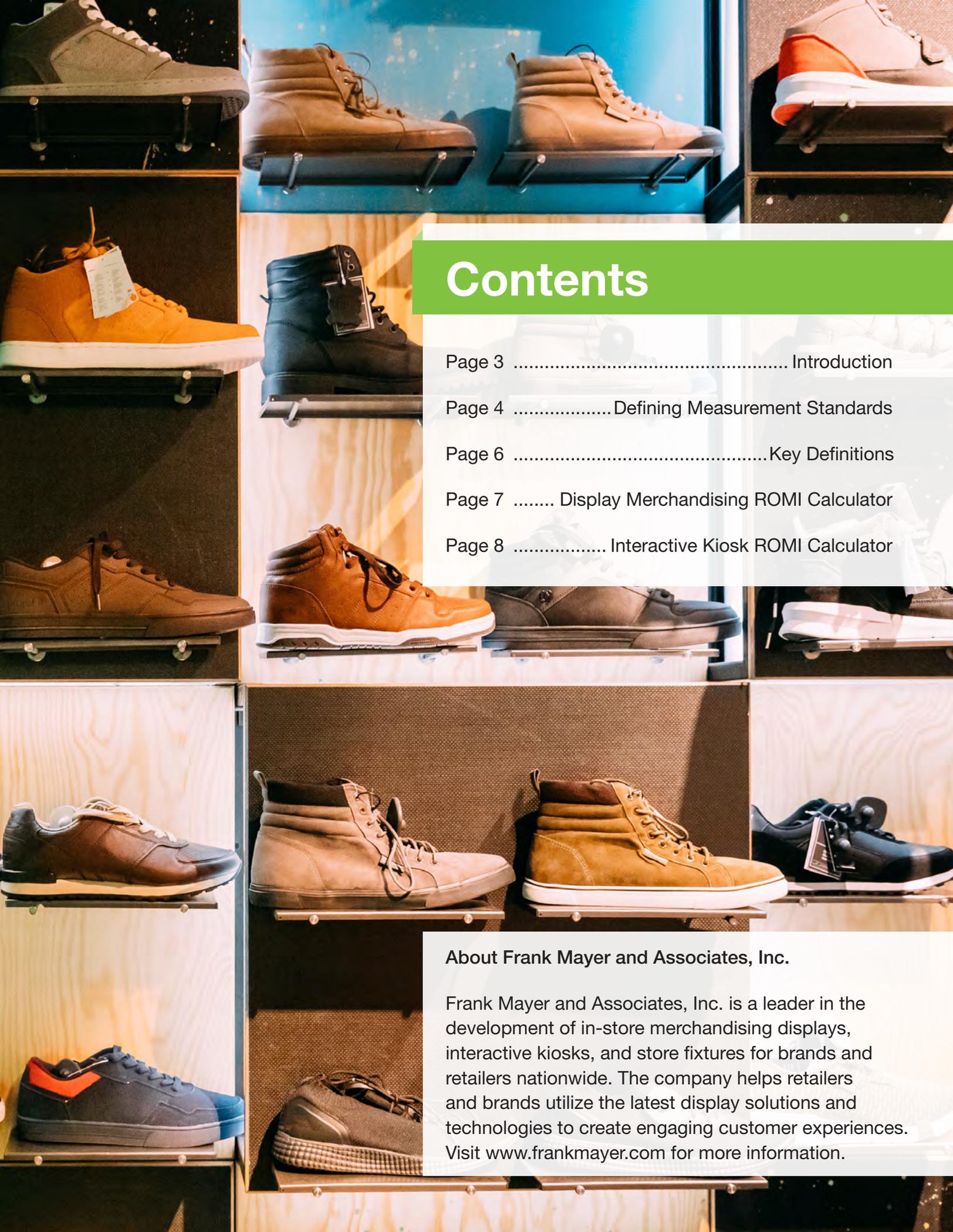


Determining ROI for Merchandising Displays and Interactive Kiosks





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About Frank Mayer and Associates, Inc.

Frank Mayer and Associates, Inc. is a leader in the development of in-store merchandising displays, interactive kiosks, and store fixtures for brands and retailers nationwide. The company helps retailers and brands utilize the latest display solutions and technologies to create engaging customer experiences. Visit www.frankmayer.com for more information.



Introduction

A [recent article](#) from The Business Journals sums up a common retail challenge best when it states, “Successful new product launches are not to be taken for granted.”

There’s supporting research behind that declaration. A [2013 white paper](#) published in the Journal of Product Innovation & Management cites a study done by the Product Development & Management Association (PDMA) that reveals the new product failure rate across various industries averages 41 percent.

With so much at stake to ensure a product not only reaches consumers but delivers the revenue goals to keep it viable, it’s no wonder calculating return on investment (ROI) on the merchandising displays and kiosks that market these goods is a necessary, though sometimes difficult, endeavor.

Not only must marketing and merchandising teams keep in mind the different measurement standards on which to base the definition of successful merchandising, but they must also determine what hard factors play a role in estimating budgets for these display campaigns.

To simplify the process, a basic Return on Merchandising Investment (ROMI) calculator can benefit decision makers who want to feel confident their display and kiosk projects will offer the best value for the dollars spent. Read on to learn about outlining measurement standards and how to use our simple ROMI formula to help estimate cost and revenue baselines.



Defining Measurement Standards

When strategizing a point-of-purchase project, companies will first need to establish what factors will define if their program is successful. There are numerous options that can be measured, some more relevant for different types of point-of-purchase displays.

Dollars spent on a project versus sales dollars after implementing merchandising campaign

This measurement approach is common for companies producing traditional merchandising displays as it delivers quantitative results due to actual measurable revenue. A good example is Company A who manufactures portable speakers. Using this measurement practice, Company A judges their new speaker merchandising program by comparing the cost to produce the displays against the speaker merchandise revenue brought in after displays were deployed. Did the margin between the cost and revenue meet the company's goals? (Hint: our handy calculator at the end of this paper can help you compute different variables to ensure your own program is successful).

Number of transactions processed per time period

Businesses that utilize kiosks benefit by employing this type of measurement. Good examples are quick service restaurants and fast casual establishments that offer self-service kiosks to customers to shorten wait times and increase back kitchen efficiency. These companies can analyze data showing a comparison between the number of transactions over a specified time period at a store without kiosks versus a store that has self-serve kiosks installed. If numbers show a significant growth in quantity of transactions due to customers' use of kiosks, these businesses will reap the benefits of increased revenue over time.

“Multiple studies show branding has a direct impact on consumer buying patterns and is a key factor when expanding marketing strategies and platforms”

Cheryl Lesniak,
Frank Mayer and Associates, Inc.

Same store sales between locations with merchandising displays and without

Comparing same store sales isn't always feasible for brands that place their products within big name retailers. Box stores might not be willing to share enough data with companies to allow companies to analyze success. However, larger retailers can

employ this practice of comparison when building permanent fixtures within their stores. For example, a large retailer might build a permanent display to house its video game collection. Comparing store sales between locations with and without the merchandising displays can paint a picture of how profitable a new point-of-purchase case is.

Branding

This last measurement component is sometimes easy to dismiss due to its difficulty to calculate. After all, how does a marketer quantify branding when hard numbers aren't available regarding what impression display signage or a kiosk wrap has made on someone's purchasing decision?

Don't count this important aspect out, though.

“Multiple studies show branding has a direct impact on consumer buying patterns and is a key factor when expanding marketing strategies and platforms,” Cheryl Lesniak, Integrated Marketing Manager at Frank Mayer and Associates, Inc. states. “When done right, branding resonates across multiple media channels and relays one cohesive message. Companies must view it as a needed investment.”

Now that you've determined what factors will influence your definition of success with your point-of-purchase campaigns, our simple ROMI calculator can help you estimate your display budget or establish sales goals.



ROMI Calculator and Key Definitions

At the end of this paper we provide a simple tool to help calculate your return on merchandising investment. Please note: while this calculator can serve as a handy guide to help determine costs and figure return on investment by plugging in multiple scenarios, there are many variables that will go into defining your true ROI for a merchandising campaign. Please utilize this tool as a starting point to generate realistic budgets and goals.

Key Definitions

Display Cost [DC]: All costs associated with designing, producing, testing, and deploying the in-store merchandising campaign. This includes many variables associated with quantity required, size, preferred materials, messaging, and more.

Display Quantity [DQ]: How many displays will be deployed in the field.

Display Locations [DL]: Number of locations where displays will be located. An important factor to keep in mind is that some companies might order more display units than locations to take advantage of lower price points. Additionally, some may have more than one unit or kiosk at a single location.

Product Cost [PC]: The amount the retailer pays for the product.

Product Quantity [PQ]: The number of items a merchandising display supports.

Profit Margin [PM]: The actual or anticipated margin between the cost and gross revenue generated.

Inventory Turn [IT]: The number of times the inventory does or is expected to turn.

ROMI Calculator – Merchandising

$$\frac{(PC \times PQ \times PT \times PM) \times DL}{DC \times DQ}$$

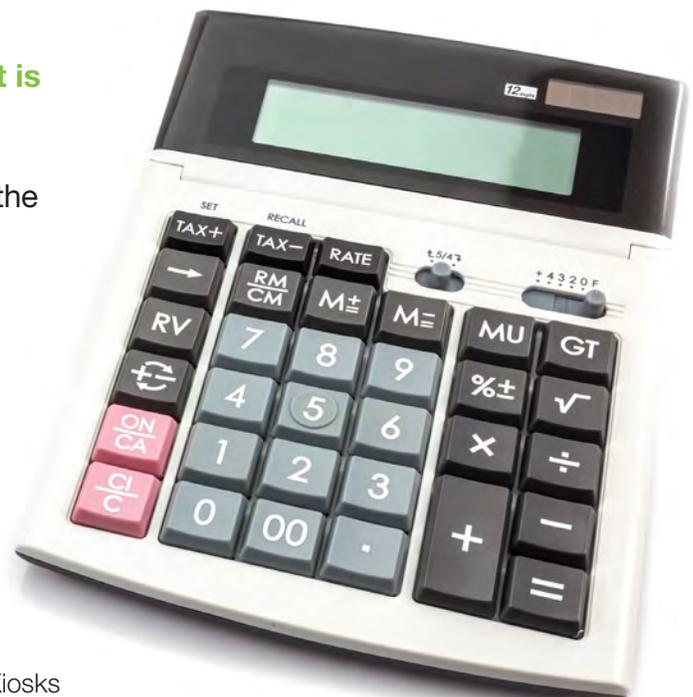
Example:

Client A needs a merchandising display to hold **20 items (PQ)** with a product cost **\$15 (PC)**. The client predicts the inventory will turn **3 times a year (PT)** at **250 locations (DL and DQ)** and expects a gross profit margin of **20 percent (PM)**. The company's display budget is **\$50 per unit (DC)** for each display.

$$\frac{(15 \times 20 \times 3 \times .20) \times 250}{50 \times 250} = \frac{\$45,000}{\$12,500}$$

Client A's Return on Merchandising Investment is 3.76, or 376 percent.

If the client's cost of the display increased to \$75, the ROMI would be less at 2.40, or 240 percent.



ROMI Calculator – Kiosk Display

When figuring the ROMI for an interactive kiosk display, the only change to the formula is that a software cost, enclosure cost, and hardware cost replace your display cost.

Key Definitions

Software Cost (SC): The one-time software cost

Enclosure Cost (EC): The cost of the display unit

Hardware Cost (HC): The cost amount for hardware on the display unit

$$\frac{(PC \times PQ \times PT \times PM) \times DL}{SC + [(EC + HC) \times DQ]}$$

Example:

Client B would like an interactive kiosk to sell **360 items (PQ)** per location per year. The average product cost is **\$50 (PC)**. The software needed costs **\$50,000 (SC)**, and the enclosure and hardware costs are **\$1,000 per unit (EC)** and **\$2,000 per unit (HC)** respectively. The client has **125 locations (DL)** and would like a **25% profit margin (PM)** on the sales.

$$\frac{(50 \times 360 \times 1 \times .25) \times 125}{50,000 + [(2,000 + 1,000) \times 125]} = \frac{\$562,500}{\$425,000}$$

Client B's Return on Merchandising Investment is 1.32, or 132 percent.