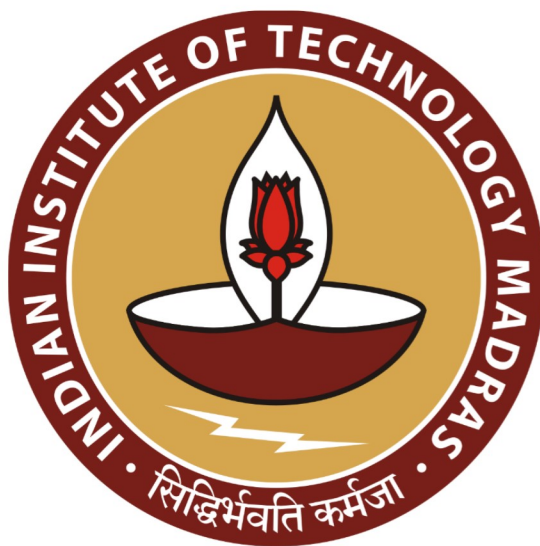# Enhancing Grocery Store Inventory, Customer Retention, and Profitability

Proposal report for the BDM capstone Project

Submitted by-

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Executive Summary and Title

Title- Enhancing Grocery Store Inventory, Customer Retention, and Profitability

The project focuses on a grocery business "Deepak General Store" located in Vrindavan Colony Lucknow. With a focus on catering to the daily needs of nearby residents, the store operates in a business-to-consumer (B2C) model.

Over the years, the store has experienced substantial growth and has successfully established a loyal customer base in the local community. Nevertheless, the shop encounters a few challenges, including excessive inventory and lower-than-expected revenue. This project aims to analyze the available data and help the business to increase customer retention, address inventory mismanagement, and ultimately enhance the organization's profitability.

By implementing a range of data analysis techniques, the business can effectively tackle these issues and optimize the financial performance of the store. This involves examining sales data to identify customer buying patterns and preferences. By understanding customer behavior through the data, the inventory management strategies can be aligned with demand, thereby reducing excessive stock levels and minimizing financial losses.

Moreover, the project will explore methods to enhance customer retention by leveraging customer data. This may involve implementing loyalty programs, personalized or targeted discounts upon regular purchasing and strengthening customer relationships. These approaches are expected to help the business grow its revenue and ultimately its profit.

Organization Background

Deepak General Store(DGS) has 2 branches of grocery stores located in Vrindavan Colony, Lucknow. Both shops are at a distance of 1km from each other. They offer a wide range of essential food items, household products, and other necessities like supply of water cans and newspapers to its customers on a daily basis.

Deepak General Store(the older branch) was founded in 2015 by Mr Digember Kumar Baranwal (Ashish), a 30 year old man who named the shop after his elder brother. The new shop was opened last year only. He came to Lucknow from his village 9 years back and opened a small kirana store and since then the business has seen large growth. Currently there are 8 other workers employed by the owner on a monthly wage who help him run the business.

Apart from selling products on the shop, DGS also offers free home delivery service to its customers living at a maximum distance of 4 kms from either of the shops. They own a bike and an e-rickshaw which are used to deliver products to its customers.

Problem Statement (Listed as objectives)

1. Improve Inventory Management -A significant objective is to identify which SKUs(Stock Keeping Units) have less shell life, fewer margins and fewer sales. It is also important to determine the SKUs that remain in the store unsold and reach their expiry date, as well as identify products that are experiencing stockouts.

2. Enhance Customer Retention - Next objective is to work on customer retention and improving overall percentage of customer loyalty and satisfaction.

3. Increase Revenue and Profitability - Another important objective is to proactively identify and address additional opportunities for revenue growth and improved profitability, thereby improving the overall financial performance of the business.

Background of the Problem

1. Improve Inventory Management - It is noticed by the owner that a significant amount of unsold items need to be disposed off every now and then due to the passing of its expiration date. Most common items to be thrown away are cupcakes and biscuits. On the other hand, often there is a shortage of items and demands of customers are declined. Such issues can be solved if better inventory management is done.

2. Enhance Customer Retention - Both the shops of DGS are located right in front of gated societies and the entire area is surrounded by other apartment buildings where people need to buy groceries on a daily basis. Beside DGS there are few other grocery stores as well and people also actively use online grocery providers like Blinkit and Big Basket. Thus given such a situation, customer loyalty is crucial for the business to run smoothly. DGS relies on customers to visit repeatedly and make them their first preference of all the other options. Till now it is seen that there is a good retention of customers but still there is a big room for improvement.

3.Revenue Growth: The store faces challenges in discovering new ways to increase their revenue and profitability. The existing marketing strategies need improvement to attract more customers and drive sales.

Problem Solving Approach

Details about the methods used with Justification

Various factors like available stock inventory, volume sold, profit margin will be taken into account. To manage the inventory ABC Analysis will be used and categorize products into A, B and C based on their demands. This will be a good technique to manage our inventory because this way we can prioritize the highly demanded products(A category) in our limited inventory space and make sure stockout for them is minimal. For C category products which are the slow moving SKUs, overstocking should be avoided in order to minimize wastage.

Further analysis must be done to find which products are sold to regular customers and what offers or discounts can be given to regular customers such that the shop does not experience any loss and customer loyalty is promoted.

Promotion of DGS must be done by distributing pamphlets to the residents of buildings that do not have many active customers. This can be done to improve sales of the business by spreading awareness of the shop.

Details about the intended data collection with Justification:

The shop relies on handwritten data to keep track of each day's sale. Data of 3 to 4 months is collected and entered into the MS Excel sheet. Regular customers are recognised by their Apartment number and building rather than by their name which will be their customer ID. Data about inventory such as volume available, volume sold, profit margins and dates is collected. Sales data with parameters like customer ID, date, items purchased and amount are noted.

Details about the analysis tools with Justification:

The primary tool used for this analysis will be MS Excel. This project will look at various factors related to sales, revenue, profit, and other entities and Excel is arguably one of the best tools to pull out such information.

The formatting, cleaning and sorting of data will be done before the beginning of analysis and Excel provides features to do these tasks efficiently.

It allows us to make graphs, trend lines and pivot tables which we can use to analyze the data thoroughly and observe trend patterns and behaviors.

Further the reports of this project will be made using Google Docs since it is one of the most commonly used tools which is easy to use and allows all the necessary features to write a report.

Expected Timeline
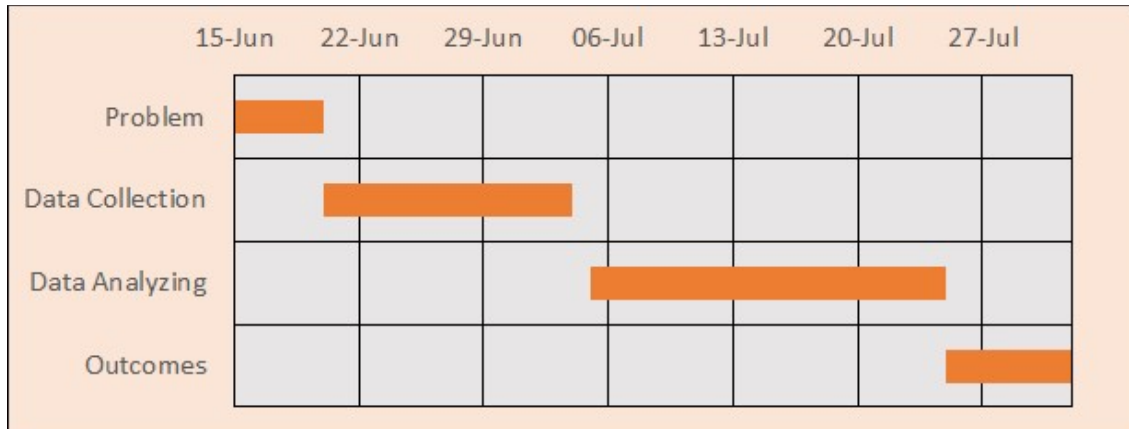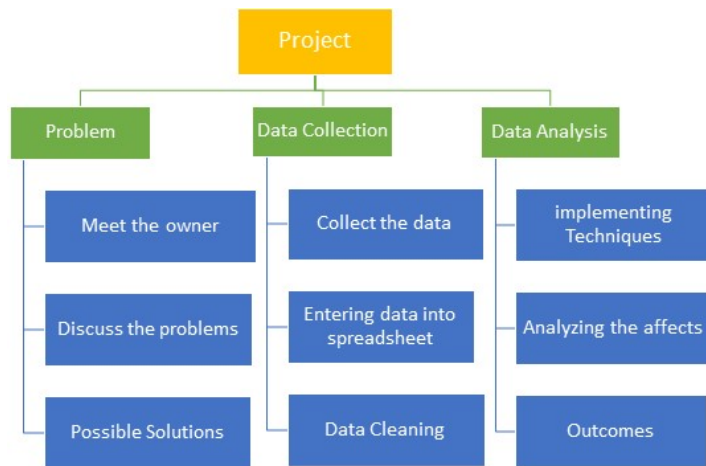
It is expected that the project will be completed in 7 weeks.

Expected Outcome

The expected outcomes of this project include:

1. Improved inventory management, leading to reduced stockouts and less disposal of unsold products.

2. Enhanced customer retention, resulting in increased customer loyalty.

3. Increase in overall revenue and profit of the business.