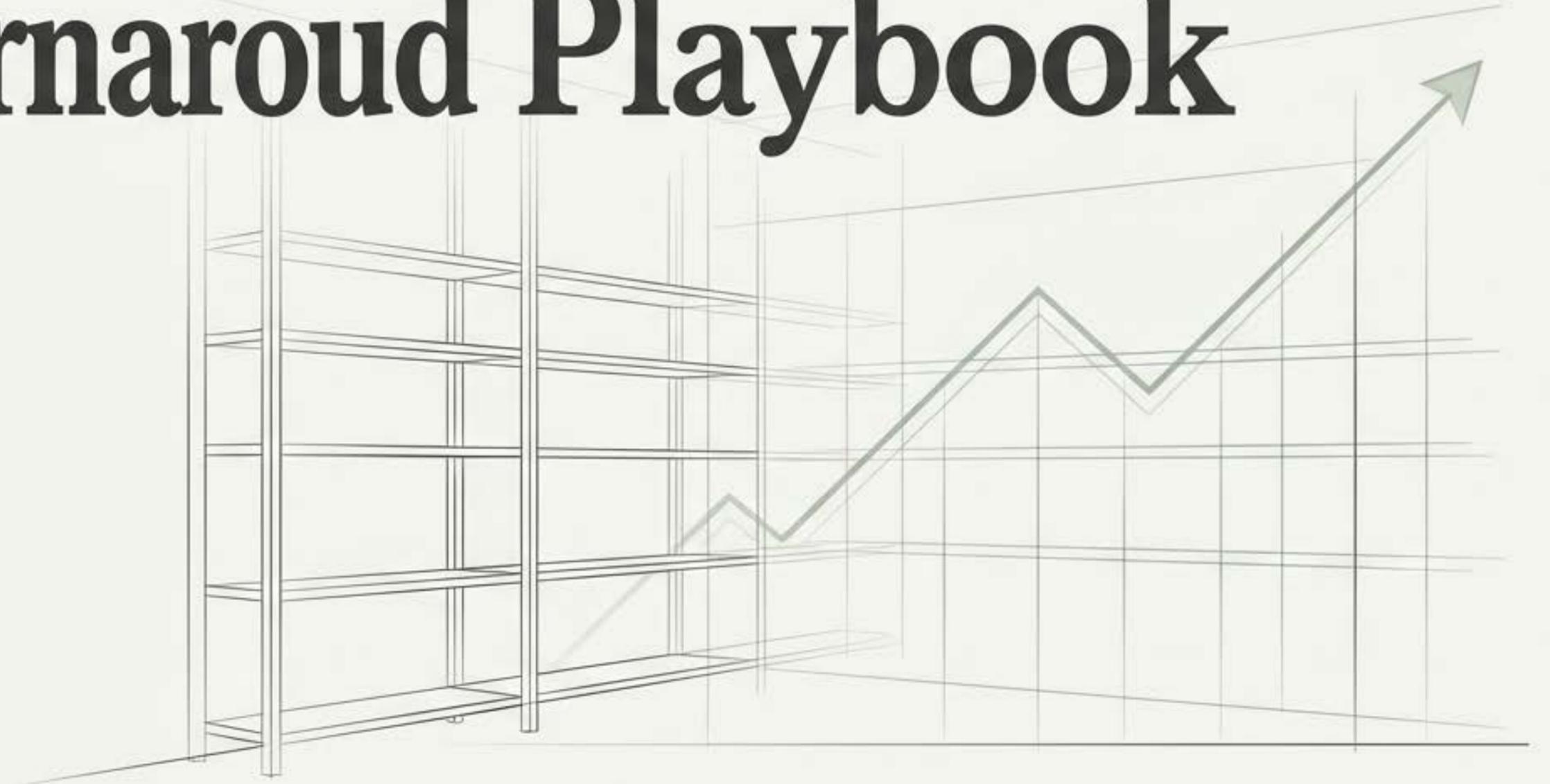


Strategic Margin Optimisation: The Gift Shop Turnaround Playbook



Current gross margins are fundamentally unsustainable and require immediate structural repair



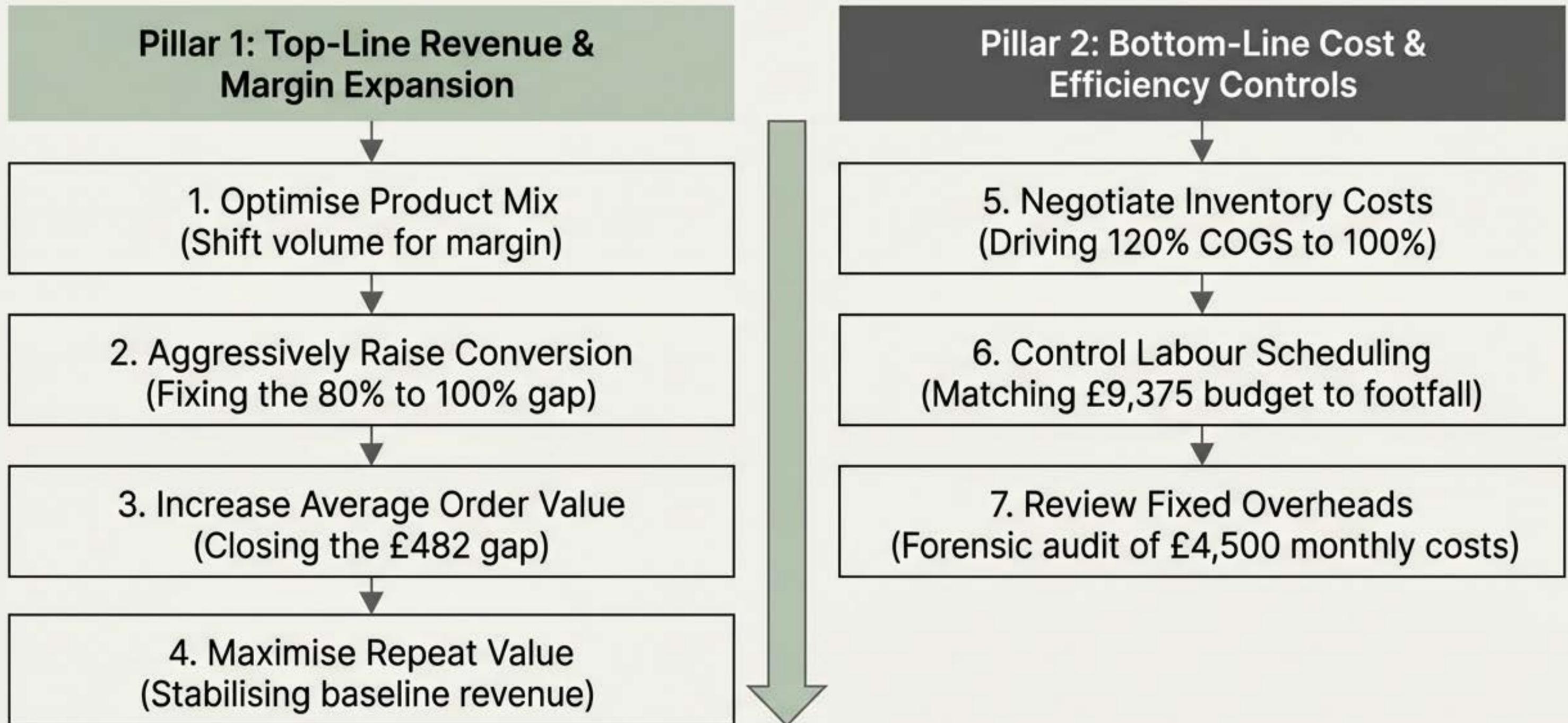
You lose £20 on every £100 sale just on product cost. We cannot accurately assess category contribution margins until pricing and sourcing fundamentals are fixed.

Our mandate is shortening the 34-month path to breakeven and securing operational profitability



Achieving profitability requires aggressive tactical improvements across two distinct pillars: driving top-line revenue through targeted conversion and transaction value lifts, and strictly containing unsustainable inventory and operational costs.

The turnaround relies on a bifurcated approach to value creation and cost containment



Shifting product mix by just 5% immediately lifts average transaction value without requiring new traffic



Baseline AOV: £3,250
(Based on 1 unit Stationery @ £1,500 AUP + 0.5 units Home Decor @ £3,500 AUP).

The Shift: Move 5% of volume (£750 Stationery swapped for £1,750 Home Decor).

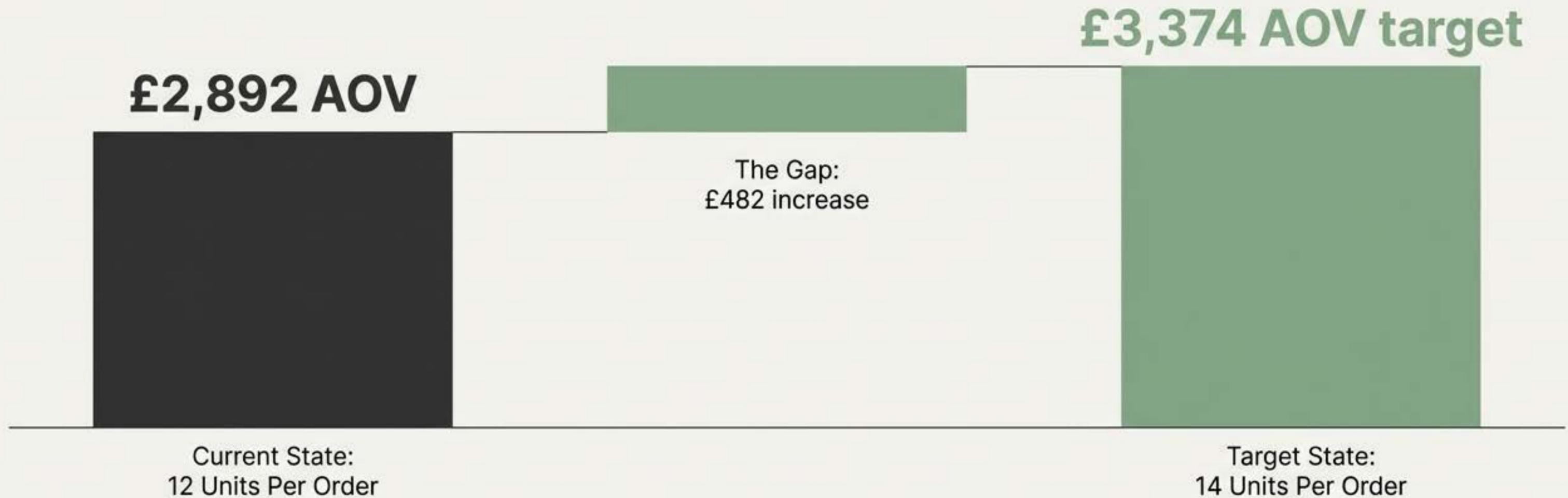
Execution Notes: Target 60% markup on Home Decor items. Implement immediate behavioural changes: prominent merchandising of £3,500 AUP items near the register and staff cross-selling scripts.

Closing the 20% conversion gap unlocks pure contribution upside against our fixed costs



Execution Notes: Requires a 6–9 month implementation plan for store flow adjustments and low-pressure closing training. **Warning:** Onboarding staff takes 14+ days; churn risk rises if training is rushed. Focus first on closing the gap from 80% to 92% where the easiest gains reside.

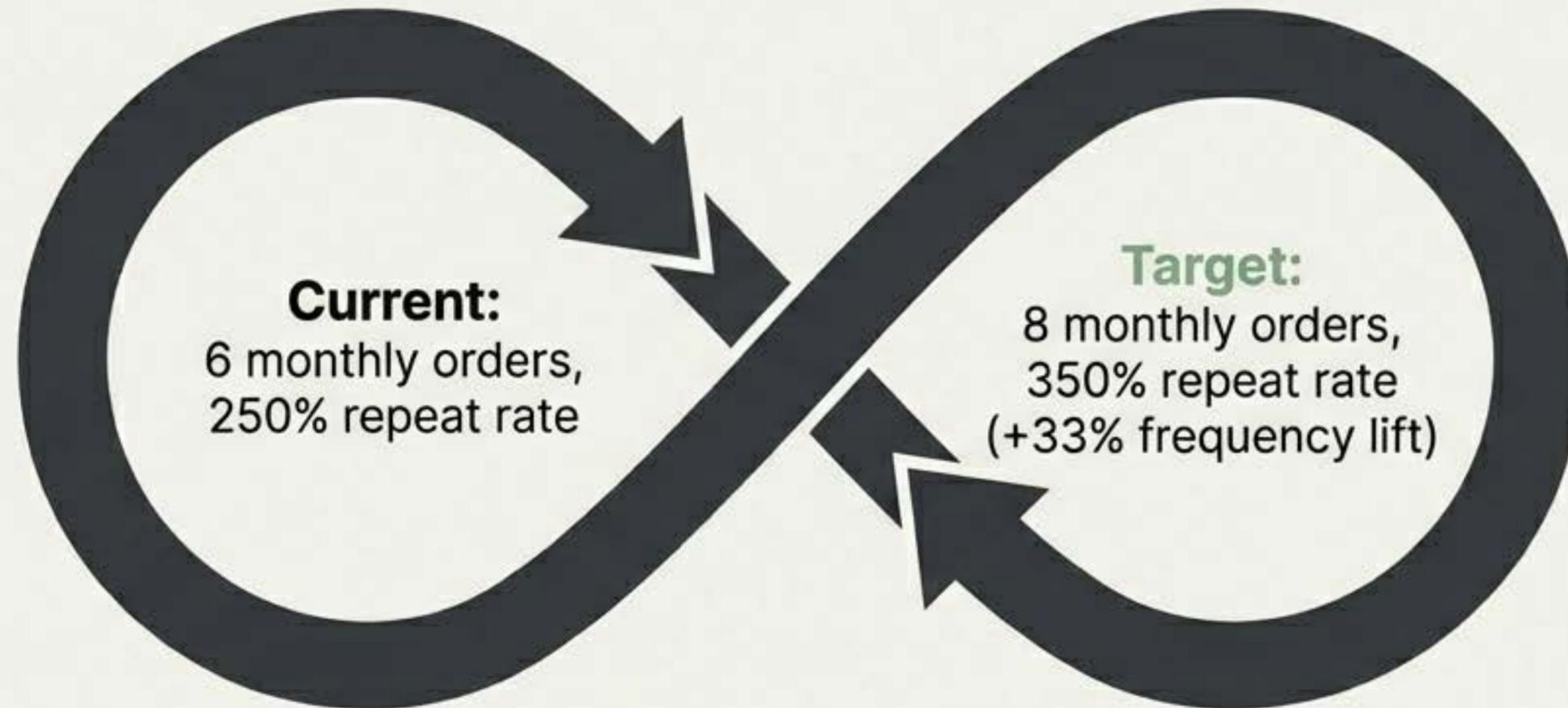
Bundling strategies must push units per order upward to close the £482 transaction gap



Execution Notes

Deploy holiday gift sets and artisan bundles. Train staff specifically on pairing complementary items rather than generic upselling.

Increasing order frequency stabilises baseline revenue and protects against acquisition volatility



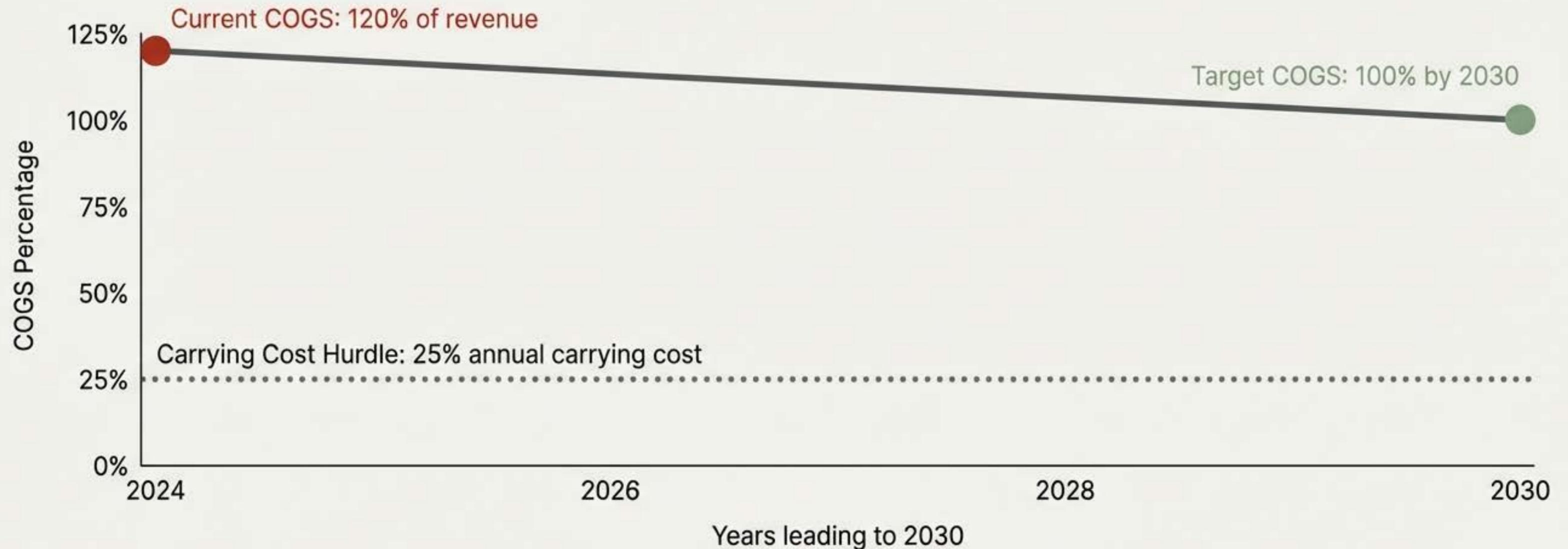
Execution Notes

Deploy personalised, post-purchase follow-up campaigns (reminders for gifting/seasonal needs, not just discounts).

Strategic Impact

Operational stability from predictable sales allows for stronger negotiation leverage with artisans.

Inventory acquisition costs must be aggressively negotiated down by 20 points by 2030



Execution Notes: Focus immense buying power on the top 20% of SKUs that drive 80% of volume (aiming for an initial 5% cost reduction here). Establish Minimum Viable Inventory (MVI) limits based on SKU velocity: 45 days supply for high-demand artisan items; leaner stock for low-velocity goods. Bulk discounts must exceed the 25% annual carrying cost (insurance, obsolescence, working capital) to be viable.

Aligning labour spend directly to actual footfall eliminates costly non-peak overages



Monthly Labour Budget:

£9,375 (wages + payroll taxes).

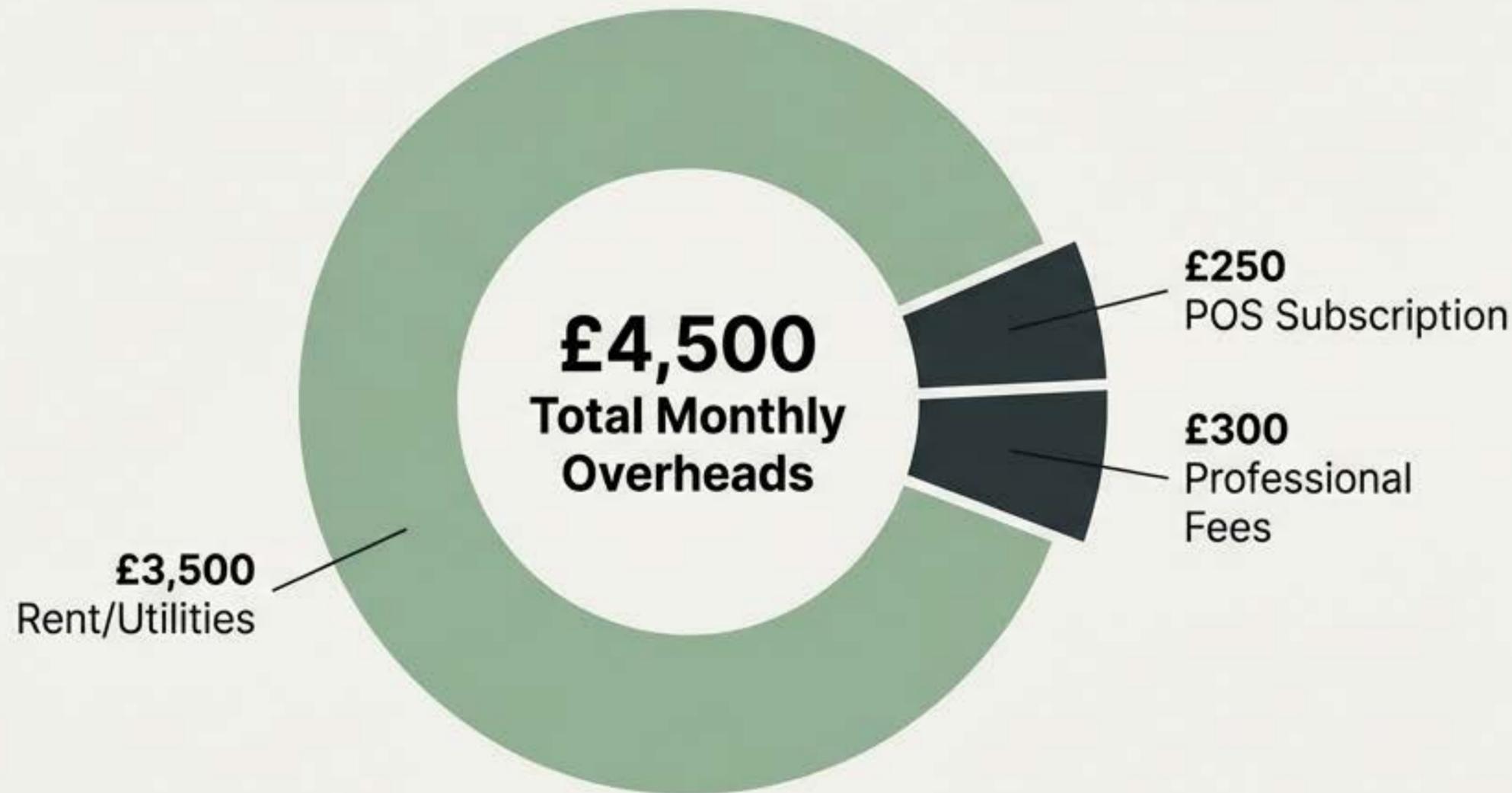
Savings Opportunity:

£937 monthly savings (cutting 10% of non-peak hours).

Execution:

- Stop staffing evenly across the week.
- Scale up for weekends (e.g., shifting from 10 to 12 FTEs during peaks).
- Cross-train staff and utilise on-call shifts.

Forensic auditing of fixed overheads targets immediate, non-negotiable margin leakage



Rent/Utilities Target:

Negotiate 90 days pre-renewal for a 3-5% reduction. Conduct energy audits (LEDs/HVAC) to cut 10% (£450 straight to margin).

Subscription/Fee Targets:

Challenge £250 POS subscription and £300 Legal/Accounting fees. Aim for immediate 10-15% reductions or lock in annual contracts.

Phased implementation prioritises immediate cash retention while building structural profitability

Immediate Actions (0-30 Days)

- Shift 5% volume from Stationery to Home Decor.
- Audit and negotiate POS (£250) and Professional fees (£300).
- Trim 10% of non-peak labour scheduling.
- Review category markups and demand volume discounts on top 20% SKUs.

Structural Shifts (Months 2-9)

- Execute sales training to close the 80% to 92%+ conversion gap.
- Adjust store layouts and merchandising flows.
- Lock in supplier agreements to drive toward 100% COGS by 2030.

The next 30 days dictate the trajectory of our financial recovery

Stop the Margin Leakage

A **120% COGS** is an **existential threat**. We must **immediately** leverage the Home Decor mix shift and initiate vendor renegotiations to **fix unit economics**.

Maximise the Footprint

Every shopper counts. Implementing suggestive selling and bundling to push AOV toward **£3,374** and **conversion toward 100%** is **mandatory**.

Defend the Baseline

Trim fixed overheads relentlessly and match our **£9,375** labour budget **strictly** to the 150-200+ weekend visitor peaks.

Leverage our 855% contribution margin on high-value items today to secure a sustainable 15-20% operating margin tomorrow.