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SETTING GOALS, PLANNING, BUDGETING

Whatever you call it, taking time to determine where you want your store to be a year from now is important. It may even be critical to the survival of your store. As the store owner, you are in many instances the principal sales person, and buyer, and advertising director, and etc. etc. etc. You may think you do not have time to sit down at a desk to determine your budget. You are wrong.

"Setting goals gives direction to life. If you don't have goals, you have no direction. You're going to drift and get nowhere. Setting a goal creates a mold into which the energy of life flows," says Jack Addington, author of All About Goals and How to Achieve Them. "It's a law of the mind that which you can conceive of, believe in, and confidently expect for yourself, must necessarily become your experience."

Once you have determined where you want to be a year from now (sales level and profitability), you must set a course for how you are going to achieve that goal. That is where budgeting comes in. Budgeting is simply putting down on paper what you are going to do to achieve your goal. Budgeting is not really difficult, at least not as difficult as many people think it is. There are different methods that can be used to develop a budget. I like to use the easiest one. That is to take a look at what you did last year, then decide how you can improve it. Take a good look at last year, what you did well and what you did not-so-well. Expand on your successes and learn from your mistakes as you make plans for the new year.

Since every store is as unique as it's owner, each will have it's own method for reaching it's profit goal. For example, if we set 10% as our profit goal we can achieve it by attaining a 48% Gross Profit and keeping our expense level at 38%. We could also achieve a 10% profit with a 44% Gross Profit if we lower our expenses to 34%. The choice is yours. The important thing to remember is that a good profit level does not just "happen". You must realistically set your goal and then strive to achieve it.

To be a successful retailer, it has always been important to pay attention to all aspects of your business. In today's retail climate it is essential for your survival. For example, what good does it do to increase sales volume by the use of constant promotions when the markdowns kill Gross Profit? What

good is a 48% Gross Profit if Operating Expenses are 52% of sales? Can a well thought out and followed Open-To-Buy help business if the sales effort is lacking?

SALES

How can you increase your sales?? That is a tough question that every retailer faces every day. However you decide to do it, it must be done. Your expenses continue to go up and up, especially the ones over which you have no control, such as taxes, gasoline, freight, etc. You may bring in a new line of merchandise. Or, develop a plan for rewarding your sales staff for sales that will encourage them to sell more. Your sales staff should have sales goals, the store needs a monthly sales goal. Your staff needs to be rewarded for achieving their goals.

GROSS MARGIN

The Gross Margin dollars are the pool of funds out of which all the company's expenses must be paid, with some left over for profit. Better buying can help you increase your Gross Margin. Add a vendor or vendors that will allow a higher markup. Buy closer to the season or even in season to take advantage of vendor's incentives. Use an Open-To-Buy to help you plan your purchases so you do not buy too much, which leads to high markdowns and low Gross Margin.

EXPENSES

Small changes can have a big impact. Something like setting the thermostat 1-2 degrees lower in the winter and 1-2 degrees higher in the summer can help save on heating and air conditioning costs. You may want to consider going from Direct Mail to E-Mail to communicate with your customers. If you make enough small changes such as these, you will find your expenses going down and your profit going up.

Some of your expenses can be budgeted as a percentage of sales or some other amount. For example, the fee you pay for credit cards will probably be the same this year as last year so you can just multiply total planned sales by that percentage. Payroll taxes are directly related to the amount of payroll you pay. Therefore, it can be calculated as a percentage of total payroll. Freight-in is directly related to the amount of purchases so it can be calculated as a percentage of purchases.

Advertising may be the only expense over which you have total control. You should have a separate advertising/marketing budget set as a guide for how and when you will do your advertising. Different stores will have different methods that work best for them. One store may do very well with TV ads while another uses e-mail very effectively. Each store and community is unique so you must look at your own situation.

The format of your budget is very easy! It is simply the same format as your current Profit & Loss Statement! Once you have your budget set for the store at the annual level, it is time to divide it into 12 individual months. This is important since once the budget has been set you must enter it into your financial program so you will get monthly comparisons of results to the plan. If you do not do this, you will end up with a document that gets put into a drawer until the end of the year when you pull it out and say "What Happened !?!" A goal without a written plan is a fleeting thought. Get started on yours today. If you want help, give me a call.

QUOTE OF THE MONTH

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 "The discipline of writing something down is the first step toward making it happen."

Lido Anthony "Lee" Iacocca

### **\*\*BONUS QUOTE OF THE MONTH\*\***

"The real art of conversation is not only to say the right thing at the right time, but also to leave unsaid the wrong thing at the tempting moment."

author unknown

## PHYSICAL INVENTORY COUNT

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If your fiscal year ends in January, you will be taking a physical inventory count at the end this month. Take the time now to prepare for it so it is an accurate count. A bad count can be worse than no count at all since it affects your Gross Margin (and Net Profit) for both the year in which the bad count is made and the year in which it is corrected.

Unless you are in a mall, the shrinkage for a specialty store should be no more than 1%. If your shrinkage is too high, it is time to do something about it by looking at the internal controls in your store. We have developed a manual to help you do that, which you can check out below and by going to our web site.

IRS BUSINESS MILEAGE RATE

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Beginning Jan. 1, the 2008 optional standard mileage rate for business use of a car (including vans, pickups or panel trucks) is 50.5 cents per mile.

## DECEMBER SALES SURVEY

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THANK YOU to everyone who participated in our survey. Your participation makes the results meaningful.

To remind everyone, this survey concerns December sales.

DECEMBER 2007 SALES COMPARED TO DECEMBER 2006

	MEN	WOMEN	CHILD	SHOES	GIFTS	WEST
More than 15.0% below last year	17%	29%	20%		23%	%
-10.1% - -15.0%	2%	7%		5%		17%
-5.1% - -10.0%	13%	16%	40%	11%	11%	16%
-.01% - -5.0%	18%	16%	20%	26%	34%	
EVEN	10%	6%		11%	11%	
+0.01% - +5.0%	23%	16%		37%	11%	67%
+5.1% - +10.0%	7%	3%		5%		
+10.1% - +15.0%	2%					
More than 15.0% above last year	8%	7%	20%	5%	10%	
	100%	100%	100%	100%	100%	100%

An insufficient number of sports goods retailers responded this time and we felt the results would not be accurate based on the number of responses. No dance retailers responded.

Just as a reminder, 85% of our respondents believed that holiday sales would be **better or the same** as last year.

The actual reported sales results were not as successful. **50% or more** of the mens, womens, infant/childrens and gift retailers responded that sales **were worse than 2006**. Only shoe retailers and western retailers had holiday sales better than 2006.

Make plans NOW for a more successful 2008.

TELE-SWAP GROUPS

As I have mentioned before in the newsletter, this year I have started a new service for retailers called SWAP (**S**hare **W**ith **A** **P**eer) Retailer Teleconference Groups. I have a menswear group that has been meeting successfully for several months now. When the group started it was a little difficult to get everyone on board every month, but now they are all always on the call if they possibly can make it. The questions and topics we have discussed are numerous. A few recent examples are:

- * "When advertising menswear, what media has been most successful at your store?"
- * "How do the other members handle return alterations when someone has gained or lost weight?"
- * "Do you have any effective employee sales contests that you have used?"
- * "Do you take in any outside alterations and if so, how do you charge for it?"
- * "In an effort to attract more local shoppers at our shopping center during the holiday season, our center and the merchants in it are talking about tying into a popular non-profit and have a percentage of sales benefit that organization during the holiday season. Have any stores done this? What percentage of sales? How long of a period should this run?"
- * "What events are you planning for the holiday season?"

Comments from just a couple of retailers taking part in these teleconferences are:

"It is well worth my time to meet with other retailers. I found a new line that I anticipate generating thousands of extra of dollars." Phil Chizum

"I was starting to think I was "alone in the world". I am busy and did not want to participate in something that was not going to help my business. I am thrilled with my participation in the SWAP. I discovered that I am definitely not alone and the other similar businesses have the same challenges and now we are helping find solutions to those challenges together. I strongly recommend trying the SWAP - it is definitely worth my time!" Katie Andrios

If you would like to discuss the types of issues listed above, and others, with retailers who are similar to you, but far enough away they are not competitors, give us a call at 1-877-206-1299 and we will send you an application. Once I get your application I will contact you about joining a group.

I currently have one or more openings in the following groups:

- Men's - Regular
- Women's - Moderate to Better
- Women's - Better
- Women's - High End

There are so many retailers around the country who are isolated because they are a small independent retailer. This service gives you an opportunity to talk with others in a similar situation without having to worry about giving away any information to your competition. Get help and advice you need to be more successful without having to leave your store. Do not delay!

KEEP YOUR EMPLOYEES HONEST & INCREASE YOUR BOTTOM LINE!

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**Studies have shown that almost half of all your store's shrinkage is due to employee dishonesty!**

If you can reduce shrinkage by 1% that is an additional 1% of profit for you. As the owner it is your job to provide the procedures, checks and balances to keep your employees honest. Also, consider that as our country plunges into this recession, normally honest people may become desperate. Financial need is one of the main reasons given for attempting theft from an employer. Make sure you are doing all you can to help avoid temptation before it strikes.

As a former controller for a 5-store chain of family apparel stores and with my experience working with retailers around the country as a retail management consultant I have developed a manual to help you with this. It is our "Internal Control Manual" that covers all aspects of a retail store's operations. It is set up in an easy question and answer format where a Yes answer means things are OK and a NO answer means you may have a problem that needs further checking.

To get a copy for your store, for just \$95 shipped Priority Mail, visit our website at [http://www.the-retail-advisor.com/internal\\_controls.html](http://www.the-retail-advisor.com/internal_controls.html).

Do not wait until you discover that a trusted employee has stolen \$70,000 from you (like a retailer I know had happen to him last year). Take steps now to make sure your merchandise and cash are as safe as you can make them.

## WHAT WE DO . . .

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- o [Monthly Open-To-Buy Service](#)
  - o Open-To-Buy Implementation on Your System (if available)
  - o Merchandise Performance Evaluation
  - o [Shrinkage Control](#)
  - o Development of Incentive Plans
  - o [Development of Job Descriptions](#)
  - o Seminars On Retail Subjects
  - o Financial Analysis
  - o Financial Budgeting and Cash Flow Projections
  - o Computer/POS System Evaluation, Selection, Usage
  - o Policy and Procedure Development
  - o [Lead Tele-SWAP Groups](#) (Share With A Peer)