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February 15, 2010  
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## PEER ADVISORY GROUPS

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Independent retailers operate in isolation without anyone around who can give their honest, unbiased opinion about a problem, issue, challenge, possible advertising program, etc. It is OK to ask employees but do you really think they will give you an honest answer when you are the one signing their paycheck? You are most likely to get positive feedback from them even if they do not think it is a good idea. After all "you are the boss".

This will not happen at a Peer Group meeting! The other members do not have a private agenda with your store and will be open and honest with their opinions. They may have had the same issue and can give you valuable feedback about what works, and just as importantly, about what does not work so you do not waste valuable resources.

The great thing about independent retailers is that they are independent. The bad thing about independent retailers is that they are independent. They think that no one else can run their business as well as they can - - and they are right - - each store is as individual as it's owner. However, there are always different and even better ways to do things. It really does help to get some outside perspective to the challenges you face as an independent retailer. This is what a Peer Group is all about.

Individually, we all have strengths... and undeniable weaknesses. Everyone has their own "blind spots" -- it's just a fact of life. But together, as part of a Peer Group, we can harness the power of collective thinking and combine our strengths, so you can learn how to exceed your goals... and more. Leveraging the support and fresh perspectives of the group, you will thrive in an environment of challenge and growth. You'll acquire the experience, skills, and confidence needed to achieve real progress in your business. And, with an instant and highly valuable support network, you can rest assured that the answers are always there for you.

The purpose of the Peer Group is to help yourself, and the others in the group, do a better job of being improved, more profitable retailers. However, to get the most benefit from your membership, you need to be prepared to be completely open and frank with your Peer Group members, sharing both your hopes and your fears. They won't be able to advise you properly or well if you hold back. This can be difficult for a retailer who is the owner of a business. You are used to making all the decisions about your store. Being part of a group like this means you must be willing to listen to the input of the other members as well as to give your input to other's problems and issues.

Your membership in the PEER Group will be personally and financially rewarding. Some benefits are listed below:

- **Reduce Costs:** You do not have the deep financial pockets of big business to "re-invent the wheel". By learning what other similar companies have successfully done, you can save money without testing new ideas.
- **Avoid Mistakes:** Solving business problems on your own can result in costly errors. Learning what others have done can keep your business in business. Learn from other members mistakes and successes. Their role is to share with you lessons from their experience in the hopes that you can learn them a bit more quickly and easily.

- **Find New Ideas:** Learn to borrow the best from beyond your company.
- **Handle Personal Issues:** Small business owners are limited in sharing personal issues. With a Peer Group your peers are in the same situation and have a high degree of empathy.
- **Sounding Board:** A Peer Group acts as an informal board of directors and an opportunity for real-world experience sharing.
- **Overcome Isolation:** It can be a very lonely being the owner of a small business. Your friends and family do not understand the issues you face. You cannot confide in your employees. However, every business owner in your Peer Group has the same sense of isolation and can offer support.
- **Improve Performance:** When your business looks for best practices outside your business, a wonderful thing happens. You raise the bar of performance and set new standards of excellence to propel your company forward.
- **Improve Odds of Success:** Business success takes vision and insight. Your Peer Group can help you turn your focus away from the day-to-day issues and look at the bigger picture that can have a major impact on your company.
- **Where else are you going to turn?** There's no boss to turn to for advice or direction. You're flying solo. But you don't have to. Everybody needs a good reliable sounding board, second opinions, and sometimes just emotional support.
- **A trusted, long-term relationship.** Your mentors have no ulterior motive-no service or product to sell you. That, combined with their experience, creates a good foundation for trust. And as the relationships develop over time, that trust can grow even stronger.

As you can see, the rewards are many, and the risk is non-existent. You have nothing to lose and everything to gain by finding a good group of mentors. Every retailer should have one.

The Retail Management Advisors facilitates several peer groups for independent retailers. We call our groups SWAP for **S**hare **W**ith **A** Peer. Our groups are set up to help the independent retailer as much as possible. We have one-day sessions that work well for groups of retailers who go to the same market twice a year. This cuts down on travel expense as they are going to be at that location anyway. For those who do not all go to the same market, we have Tele-SWAP groups which are monthly one-hour teleconferences. Seeing how difficult it could be for some of the smaller retailers to schedule even one-hour a month we are now starting new E-SWAP groups which will be monthly email groups. These give the store owners the flexibility to answer the queries from other members as they find the time during the day instead of having to be on a call at a certain time once a month.

The important thing to remember is that you do not have to face all your business challenges alone. Your Peer Group members are there to help you with their advice and insight. If you do not already belong to a group, find one for yourself. As someone told me, "Being a member of a Peer Group is a gift you give yourself."

## PHYSICAL INVENTORY - MAKE IT COUNT

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Many retailers took their annual physical inventory count at the end of January, the most common fiscal year end for retailers. You have taken your physical count and updated the records so everything is correct. That is all very well and good; however, if you will take a little more time, you can use the information from that physical count, learn from the past errors and make changes in your procedures so the book inventory is more accurate all year, not just immediately following a physical count.

Following is a procedure to help you determine the probable cause of shrinkage for each individual classification:

1. Calculate the average retail of inventory shrinkage.
2. Calculate the average retail of merchandise sold for the past year.
3. Calculate the average retail of merchandise in ending inventory.
4. Compare the average retail of inventory shrinkage to the averages of merchandise in inventory and sold.

If the average unit retail of inventory shrinkage for a class is considerably higher than the average unit retail of ending inventory and units sold, the probable cause of shrinkage is due to unrecorded markdowns and missing merchandise. This is the most common source of discrepancy we see.

If the average unit retail of inventory shrinkage is considerably lower than the average unit retail of ending inventory and units sold, then a partial cause of shrinkage is due to one or both of the following reasons: mis-classed merchandise (wrong class number used when entering receipts, sales, markdowns, transfers, physical counts) or employee fraud.

If the average unit retail of inventory shrinkage is very close to the average unit retail of ending inventory and sold merchandise, the cause of shrinkage is most likely missing merchandise.

There are numerous things, other than missing merchandise, unrecorded markdowns or employee fraud that can cause shrinkage. If the physical count is poorly done and some merchandise is not counted, it will show up as missing merchandise, even though it is actually not missing. Or if some merchandise is counted using the wrong class number or incorrect price the physical count will be distorted

Many times, paperwork errors show up as overage when the physical count is compared to the book inventory. Overage is bad because it hides or distorts actual shrinkage. It also distorts Gross Profit for a classification, making it appear higher than it actually is.

If you want to reduce shrinkage and increase the accuracy of your inventory records, the first step is to make it a high priority in your store. Employees must be educated in what to look for so they can detect shoplifters. Use physical deterrents to discourage shoplifters, such as keeping small expensive items behind the counter and eliminating any blind spots. You must communicate to your employees the importance of paying attention to the details and making sure that all paperwork is completed in an accurate and timely manner.

The next step is to set up procedures that include good internal controls. Shortages can and will occur at every point where merchandise changes hands or paperwork is created or processed, from the time it comes in the back door until it is sold and leaves the store. Every step of this process involves both people and the forms on which the transactions are recorded. The receiving/marking person records the receipt of merchandise, checks it and attaches the price tags. This person also handles merchandise that is returned to the vendor. The sales staff handles sheet (or bulk) markdowns and records sales, including any POS markdowns. And of course the office is responsible for accurately recording in the books all the information from all the forms that come into the office. The process can break down at any of these points.

Shrinkage can be controlled. Management must give it a high priority, employees must be trained, and internal controls must be put in place and monitored. If your Net Profit is 5% of sales, it takes an additional \$20 of sales to make up for each \$1 of shrinkage. If shrinkage is \$1,000 it will take an additional \$20,000 in sales. It is just good business sense to initiate action to reduce your shrinkage figure as much as possible.

If you have a shrinkage problem or want to set up systems and procedures to avoid a shrinkage problem, give us a call. We can help. Or, if you want to handle the research yourself, order our book "Internal Control Manual". It was written specifically for the independent retailer. Visit us on the web at [http://the-retail-advisor.com/internal\\_controls.html](http://the-retail-advisor.com/internal_controls.html)

## QUOTE OF THE MONTH

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"Failing to plan is planning to fail."  
Old Proverb

"Good fortune is what happens when opportunity meets with planning."  
Thomas Alva Edison, most famous American inventor

## JOIN ONE OF OUR NEW E-SWAP GROUPS

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E-SWAP is a new, unique peer group for independent retailers!

With E-SWAP you get the benefit of being part of a supportive group of peers without the usual time and money investment required by traditional peer groups.

For just \$12.95 a month you can be a member of one of our new E-SWAP Groups. SWAP means Share With A Peer and that is what you will be doing: sharing with and learning from your peers.

For more information, send us an email to [email](#) with your name in the subject line and we will email back to you detailed information. Do it today because you owe it to yourself to have a group of trusted, sharing advisors helping you with your business.

## OPEN-TO-BUY

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**Announcing a new lower pricing structure for our Open-To-Buy Service.** Now, you can have a professionally generated Open-To-Buy, including a monthly review by someone with over 30 years experience for as little as \$230 a month (after a one-time set-up fee that includes help with setting Stock Turn Rate and Markdown percentage goals and the development of an annual Gross Margin Plan by classification).

If you are tired of trying to decide how much of each type of merchandise to buy when at market, or if you are having trouble with cash flow, you owe it to yourself to try using an Open-To-Buy. We normally find that retailers who follow an Open-To-Buy will enjoy increased Sales, higher Gross Margin and Profit and better Cash Flow. We do not require any long-term commitments so if it does not work out for you, you can cancel with just 30 days notice. Call us at 1-877-206-1299 or send an email to [LC@the-retail-advisor.com](mailto:LC@the-retail-advisor.com) to get more information, sign up and get started on your way to a more profitable store.

## 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)

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510 Red Oak, Allen, TX 75002  
Phone: 877-206-1299