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WHAT WE DO . . .

HIRING THE 'RIGHT'EMPLOYEES . . . AND KEEPING THEM

We all wish we had "perfect" employees that would stay with us "forever"; however, except in rare instances, that is not the case. Employees leave for many reasons; they move, they find a better job, or, if they are not performing as well as you need them to, you ask them to leave. No matter what the reason, when an employee leaves you are left with the task of finding, hiring and training a replacement. When this happens, it is important to take the time to select the correct person for the position. Too many times, retailers are in such a hurry to "fill the position" that they panic and hire anyone - whether the person is right for the job or not.

The need to hire a new employee always seems to come at the least opportune time, like just before you leave town for a week or at the beginning of the holiday season. We feel that it is almost always better to operate short one person for a while than it is to hire the wrong person, spend a lot of time and effort to try to train them, and then have them leave.

COSTS

There are costs associated with the hiring of a new employee. Some of these costs are:

- Owner/executive time to interview, etc.
- Personnel search and direct hiring costs
- Loss of productivity during new employee's training period
- Additional supervisory time

If the right person is hired the above costs can be considered an investment in the company's future. If the wrong person is hired the above costs can be considered an expense - - and you can anticipate going through this process again in the near future. Either the new employee will not be satisfied in the position or you will not be satisfied and will terminate the employee.

EMPLOYEE PROFILE

How do you find the right type of person to work in your store? First you must define exactly what it is you are looking for in an employee. What type of person are you looking for to work in your store and be a representative of your business? Every individual business has it's own personality. Unless the

person hired fits in with the company personality their chances for success will be limited. Also, although many retailers tend to think of customer contact being limited to salespeople, all retail employees have customer contact to some degree. The person who answers the phone, carries out a heavy package for the customer, handles customer's charge accounts, etc. is an important link between the store and the customer.

JOB DESCRIPTIONS

Written job descriptions are a MUST for every position in the store. When you have a position to fill, the job description for that position will be your guide for determining if the applicant has the skills and aptitude to fill the position.

A good job description will give a general description of the job, list the education, experience and personal qualifications and describe in detail all the specific responsibilities of the position. If you do not already have written job descriptions now is a good time to start. Do not wait until you need to fill an open position as you will then be too hurried to do a thorough job preparing the job description.

A good way to start this project is to have all of your current employees write down what it is they actually do every day. That will then be your starting point for beginning the job description writing process.

THE INTERVIEW PROCESS

The reason you like someone or something is rarely based on rational thought; instead, it's based on, "Well, I just prefer it this way." With candidates, you may like the way they look, smile, dress, act or speak. Or they may remind you of yourself or someone you like. They may have interests like yours or know people whom you know. Or, they may be good at one or two aspects of a job, and you eagerly assume or want to believe that they will be effective at other aspects. You may accept as honest and true something a reference said about the candidate. But keep in mind it would be highly unlikely for a candidate to offer the name of a reference who would not offer positive information.

There are, of course, methods for avoiding biases and making successful hiring decisions. First, from the job description, identify the most important knowledge areas, skills and abilities the ideal candidate should possess. Human resources people call these "factors." Next, create the same specific questions that you will ask of all candidates that will clearly and behaviorally demonstrate to you that they have these critical factors. But don't simply accept the candidate's word that he or she possesses a certain skill or knowledge base. Ask that person to demonstrate the skill, solve a problem, or write or create something that clearly and concretely provides you with the proof you need to make an informed decision.

SCREENING

For clerical type positions tests covering basic math and reasoning abilities should be utilized. If data entry is a significant part of the job responsibility a test using a 10-key adding machine can help you determine if the applicant will be able to handle the data entry quickly and accurately.

If bookkeeping skills are required, a simple test to determine their bookkeeping knowledge should be administered.

For salespeople, give them a specific scenario (or several) and ask how they would handle the situation. These tests should be part of the preliminary screening process.

PSYCHOLOGICAL TESTING

We also recommend psychological testing be done once you have narrowed the field of candidates to two or three. The advantage of this is that expert psychological testing is non-biased and can point out strengths and/or weaknesses that the interviewer can easily miss in the interview situation where the candidate may have a poor presentation due to being nervous or look like an excellent prospect due to putting their best foot forward.

A test for employee honesty and attitudes toward alcohol and drug use should also be included if permitted in your state.

INITIAL TRAINING

Provide the new employee with proper training for the job. This includes a well-defined job description that states in writing the expectations and responsibilities of the position so they will know what is expected of them. There should be no doubt or uncertainty. Management must look at this training period as an investment in the company's future. The more time spent training new employees in the beginning, the better able they will be to do the job with a minimum amount of supervision later.

On the first day, be sure to give the new employee a copy of the company's policy manual and have them sign a statement saying that they have received it, read it and understand it.

The company should have a procedure manual covering all of the company's standard work routines. It must be as detailed as possible so it can be used as a training manual for new employees as well as a resource manual for all employees.

Make sure the initial training period is sufficient. It is not over until you are sure the employee understands what is required and knows how to perform their duties adequately.

You must be patient with your employees, especially new ones. Do not lose patience. You want to create an atmosphere that encourages your employees to grow, not one that causes fear or mistrust.

ON-GOING TRAINING

It is not good enough to train someone, then provide no follow up. Management must continually follow up to see that employees are performing their job properly, and following the company's procedures. This lets the employee know that it is important to follow procedures and do the job correctly.

It is important to give your employees an opportunity to expand their knowledge and upgrade their skills by providing on-going training. This is especially important with selling positions. This can be accomplished through regularly scheduled sales meetings and with the use of sales training materials.

Talk to your employees often and really listen to their answers. When they do a good job, let them know it. When they make mistakes, give prompt corrective feedback in as positive a manner as possible.

GIVING CONSTRUCTIVE FEEDBACK

It is important to give your employees constructive feedback on a regular basis. This can take the form of a formal quarterly or semi-annual performance review or less formal discussions as the need arises. Don't ignore little problems until they become big problems. Address any performance issues immediately, as soon as you notice them. Do not just ignore the issues hoping they will just go away. They will most likely continue and get worse if not addressed. When discussing an issue, be specific as to exactly what the problem is. Don't say "I have noticed that you have a poor attitude and are being lazy". Instead, say "I have noticed that you are making personal phone calls and reading the newspaper when your co-workers needed your help with customers (or receiving, etc). It is best to document all negative encounters so if the need arises later for termination, you will have the concrete evidence that the employee had been given warning. This can help eliminate any issues with unemployment claims.

MOTIVATION

To protect your investment in personnel it is important that employees be motivated to increase their output. Incentive compensation plans can be very effective motivators. To be effective, incentive compensation must be based on those aspects of the position over which the employee has control or influence. For example, store manager compensation can be dependent upon meeting sales, shrinkage and payroll goals. Salesperson incentive compensation should be directly related to their own sales, or the store's sales if you use team based compensation.

TERMINATING AN EMPLOYEE

If an employee is not able, or will not, do the required job functions, do not just keep them on 'hoping' that it will work out. It is best for you, and the employee, that the firing of an employee who is not doing the job they were hired to do be done as soon as you determine it is not going to work out. Keeping a poor performing employee on the payroll hurts the other employees and the store. It is not fair to anyone, including the poor performer. Once they are terminated, they can go about the job of finding a position that is a better fit for their skills and where they will be happier.

IN CONCLUSION...

The intangible investment you make in your personnel has greater potential for future profit than the tangible investment you have in inventory or store fixtures.

To optimize your employee investment take the time to write a complete, detailed job description, find the right person for the job, spend enough time to properly train them, give them the tools they need to do the job, and provide incentive compensation as a means of motivating them to increase productivity.

A content, knowledgeable, long-term staff is your best asset and can give you an invaluable competitive advantage.

If you would like a sample job description as your starting point we have available, for a nominal fee, a number of job descriptions for the employees of a retail store.

Just give us a call at 1-877-206-1299.

QUOTE OF THE MONTH

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"If you do not change direction, you may end up where you are heading."

Lao Tzu, a Chinese philosopher considered as the father of Taoism

**RETAIL PUBLICATIONS SURVEY RESULTS**

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Thank you to all who participated in our survey. For your information, the top 10 publications being read by the readers of The Retail Advisors Newsletter are:

- MR Magazine*
- Women's Wear Daily*
- DNR*
- Wall St Journal*
- GQ*
- TRMA*
- Fortune*
- Footwear News*
- Accessories the Voice of the Industry*
- Dallas Market Center e-newsletter (In Store)*

MARCH 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 March sales.

| COMPARISON OF MARCH 2008 to 2007 SALES |      |       |       |       |
|----------------------------------------|------|-------|-------|-------|
|                                        | MEN  | WOMEN | SHOES | GIFTS |
| More than 15.0% below last year        | 20%  | 22%   | 8%    |       |
| -10.1% - -15.0%                        | 20%  | 9%    |       | 29%   |
| -5.1% - -10.0%                         | 8%   | 22%   | 9%    | 14%   |
| -.01% - -5.0%                          | 15%  | 13%   | 17%   |       |
| <b>EVEN</b>                            | 11%  | 9%    | 25%   | 29%   |
| +.01% - +5.0%                          |      | 9%    | 16%   |       |
| +5.1% - +10.0%                         | 15%  | 4%    | 16%   |       |
| +10.1% - +15.0%                        | 3%   | 4%    |       |       |
| More than 15.0% above last year        | 8%   | 8%    | 9%    | 28%   |
|                                        | 100% | 100%  | 100%  | 100%  |

An insufficient number of sports goods, children/infant, western and dance retailers responded to provide an accurate representation.

For Men's stores that reported their March sales, 48% of them have sales 5% or more LESS than last year. For the Women's stores that reported, 53% had sales in March that were 5% or more LESS than last year. HOWEVER, I want to point out that, of those retailers who reported their numbers, 26% of the Men's stores and 16% of the Women's stores had sales 5% or greater MORE than last year's sales. So, that should tell you that it is possible to increase sales even in this tough economy.

## TELE-SWAP GROUPS

Join a Tele-SWAP Group to talk to other retailers like yourself! The questions and topics we have discussed in recent sessions are numerous. A few recent examples are:

- ▶ "How are you stimulating business now?"
- ▶ "What benefits do you offer full-time employees?"
- ▶ "Discussed HSA insurance plan one member started a year ago and savings generated."
- ▶ "What do you see as the direction for merchandising your store in the next few years?"
- ▶ "How do you find a good in-house tailor and at what pay scale?"
- ▶ "What has been your most successful line thus far this year? Most disappointing?"

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

"Retailing is tough for the little guy . . . bouncing ideas off the wall wondering what might work and who . . .or how to adjust a promotion to get it to bring people in. Our SWAP Group allows each of the participants to be open and willing to share ideas with each other. It has energized me." Scott Zahner, Zahner's, Vernon, CT

"I really like the teleconference opportunities to share and ask questions of other retailers. I always come away with at least one idea I want to implement immediately." Nan Napier, Tres Mariposas, El Paso, TX

"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, GWK Enterprises, Geneseo, IL

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 or on our web site at [http://www.the-retail-advisor.com/peer\\_groups\\_tele-swap.html](http://www.the-retail-advisor.com/peer_groups_tele-swap.html). Then you can complete an online application. Once I get your application I will contact you about joining a group to take part in a monthly one- hour teleconference call. The biggest commitment will be the one-hour a month for the call. The cost is minor at just \$180 for a 6 month commitment (just \$30 a month).

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 the help and advice you need to be more successful without having to leave your store.

Click on the link above and join a group today!

## **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.

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)