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INCREASING EMPLOYEE PERFORMANCE OR MOTIVATING FOR HIGHER PERFORMANCE

Employee motivation is probably the most important single manageable factor for success and profitability of all the facets of specialty store retailing. It is too vital to be handled on a hit or miss basis, depending on the whim or spirit that stirs the store owner or manager from time to time.

To be effective, employee motivation must be promoted on a day-to-day, month-to-month basis. It is a function that can and will pay enormous dividends.

There are almost as many effective ways of motivating employees as there are ways of enticing customers into your store. Of course, there are also innumerable ways to "turn off" your associates and it is equally important to recognize these poor practices so they can be avoided. A disgruntled salesperson is unlikely to present a shining countenance to a prospective customer.

Some store owners and/or managers prefer to drive rather than lead and this manifests itself in a tense and uneasy store atmosphere. Fear destroys confidence as well as pride in one's place of employment; its effect on productivity is negative and destructive in the long run.

It is desirable for management to be highly enthusiastic, articulate and effervescent although each person comes across in a different way. Sincerity, fairness and candor are essential. True personal interest in your associates problems is valuable.

One of the very best ways to motivate is to consciously try to help bring out the very best in your staff and to do everything in your power to develop leadership talent and knowledge. There is great satisfaction in being able to point to successful people and honestly claim that you contributed to that success. This kind of interest comes through to all your people and enhances the image of your store.

Motivation and teaching are closely related. They should start from the first day of employment. Discipline as well as rewards are part of the motivation program. Both should be thoroughly and constantly explained to be effective.

Loyalty and pride are instilled by making people feel they are important to the business; that their opinions are sought and listened to; that they are respected as persons and treated accordingly and that they will share in the success of the business in the degree of their productivity and contribution. This all comes under the umbrella of involvement. Involving people to bring out the very best.

Another general area of motivation relates to competitions within the store. These add spice and excitement to routine. Contests can be planned for individual winners; team against team; store against other stores; or managers versus managers. Efforts against quotas for individuals, departments or total store can be just as productive and exciting. Contests can run for one day, one week, or as long as a month. Variety is important. Total sales, multiple items per sales transaction, selling older or higher priced goods, new or reactivated charge accounts, etc.

Money is generally the greatest motivator, but should be used wisely. More isn't always better and how it is applied is very important. A \$20 bill being passed around all day to the salesperson who has written the sale with the highest number of different classifications may get more action than \$100 in p.m.'s.

In setting up any monetary reward plan it is necessary to establish criteria that relate to the area of responsibility of the individual. It is a mistake to tie a salesperson's incentive compensation to gross margin since salespeople do not determine markup or markdowns. Likewise, in a centrally controlled, multi-store environment a store manager should not have his bonus based on net profit because he cannot control many of the elements that determine that figure.

Plans must be tailored to each unique store and situation. For selling staff, some retailers prefer commission plans, while others insist on salary only. The repetitive presentation and constant application of principals on which each plan is based are of major significance.

Before trying to set up an incentive plan you must first decide by what standards you want to measure employees. Observe employees on the job and compare the behavior of those who perform well with those who don't. Define which areas would produce the highest profits if performance were improved. The details of the specific plan or plans used must rest with management and should be tailor-made to fit each situation and, in many cases, each individual. Since every person within your organization is unique, what motivates one person may not motivate another.

The simpler the plan, the better. However, simplicity itself cannot be given excessive consideration since it is necessary to cover every major measurable factor of a job. Ideally, incentive compensation plans should have no limit or cap on potential earnings. The more a person earns for him or herself, the more the company will profit, provided the plan is soundly developed. Thus, management should be proud and pleased to have a high earning team rather than ever feeling that its employees are overpaid.

For incentives to be effective it is imperative that the right kind of employees be hired. Not everyone responds positively to productivity incentives. For some people incentives translate to increased stress and poor performance.

Regular reviews during the year are important in stimulating effort. Everyone wants to know how they are doing.

Following are ideas for setting up compensation plans for different jobs within the retail store.

1. Salesperson

Methods of compensation in retail apparel stores can vary all the way from straight salary to straight commission with countless variations in between. The most commonly used are draw against commission or a base rate plus commission.

It is incumbent upon retailers to use the method or combination best suited to their particular business.

Many specialty apparel stores use salary plus commission of 1%, 2% or 3%. This is simple to explain, understand and operate. It is not as motivating as draw against commission or straight commission, but is popular, particularly for part-time or temporary help. A variation would be to set a quota beyond which the incentive would be greater.

A draw-against-commission arrangement is common. The draw should be sufficient for monthly living costs and can be increased as evidence of greater productivity is shown. When draw-against-commission is used it is desirable to stretch the settlement period as long as possible so high and low sales months offset each other. We normally recommend quarterly settlements with the quarters being December-February, March-May, June-August, and September-November. When using a draw-against-commission we endorse the use of higher commission rates as the salesperson's volume increases. For example:

7% on sales up to \$150,000
 7 1/2% on sales up to \$200,000
 8% on sales up to \$250,000, and so on.

If commissioned salespeople occasionally or regularly work overtime hours you must be aware of the overtime exemption provided in the Fair Labor Standards Act.

2. Store Managers

In a centrally controlled operation there are three primary areas which store managers can effectively control; volume, selling costs and shrinkage.

For volume increases, a percentage of the sales increase over last year or plan is simple and stimulating. The percentage to be used will depend on the store's situation. Where there is a flat lease and no override a higher percentage can be afforded. A relatively new store should produce high increases in early years so a smaller rate is in order. On the contrary, large increases will be more difficult to achieve in a long-established store so a higher rate may be needed.

Bonuses for achieving savings in selling costs and for reducing shrinkage can be based on either goals or last year's figures or a combination of the two.

Most retail apparel stores are not large enough to warrant the luxury of a non-selling manager. A manager who is sales-oriented can set the pace for others and is better equipped to teach others how to develop a personal following.

3. Buyers and/or Merchandise Managers

The responsibilities of buyers and merchandise managers rest primarily with gross margin, stock turn rate and volume so an incentive compensation plan should be based on these criteria.

4. Credit Manager

The credit manager responsibilities normally concern credit sales growth, control of bad debts and control of departmental expenses.

Some areas on which to develop incentives include: increases in total credit sales, reactivation of inactive accounts, opening new accounts, bad debts as a percent of charge sales, departmental expenses including payroll.

5. Alterations

Productivity, reduced returns-for-alterations.

6. Control and Operations Personnel

Production, limitation of errors, departmental operating cost control, meeting deadlines.

7. Top Level Executives

Net profit before taxes and bonuses.

The decision of whether or not to utilize incentive compensation is one that each retailer must make depending on the store's situation. Once the decision is made to institute incentive compensation plans, they must be adapted to the store's unique situation and designed so as to result in an increase in sales and profits. The installation of an effective incentive plan is the foundation of a successful motivational compensation program. To optimize results the program requires regular nourishing and promotion and a yearly review to make sure it is still working as you want it to do.

We've helped dozens of retailers implement an incentive compensation plan for about every position in retailing. Call us; we can help you too.

QUOTE OF THE MONTH

"He can who thinks he can,
and he can't who thinks he can't.
This is an inexorable, indisputable law. "

Pablo Picasso

APRIL SALES SURVEY

THANK YOU to everyone who participated in our survey. Your participation makes the results meaningful. To remind everyone, this survey concerns April sales.

<u>Comparison of APRIL 2008 Sales to 2007</u>				
	MEN	WOMEN	SHOES	GIFTS
More than 15.0% below last year	18%	14%	12%	25%
More than 15% below last year	9%	14%	25%;	12%
10.1% - 15.0% below last year	9%	7%		13%
5.1% - 10.0% below last year	11%	7%		
0.1% - 5.0%. below last year	9%	15%	13%	25%
EVEN	11%	14%	12%	12%
0.1% - 5.0% above last year	15%	7%	25%	
5.1% - 10.0% above last year	3%	15%	13%	13%
10.1% - 15.0% above last year	15%	7%		
More than 15% above last year	100%	100%	100%	100%

An insufficient number of sports goods, children/infant, western and dance retailers responded to provide an accurate representation. Also, only 8 shoe and 8 gift retailers responded this time.

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. 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!

**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.

RETAIL JOB DESCRIPTIONS

Well thought out and developed job descriptions should be the documents you use as a basis for interviewing and hiring new employees. They are also excellent for making sure your employees are doing their job as it should be done. The development of good job descriptions can take a considerable amount of management's time so, to help with this project TRMA has developed very detailed job descriptions for almost all positions in a retail store. These are in WORD so you can easily copy them to your computer and personalize them to your unique situation. The job descriptions are available on CD for only \$25, including shipping. The set includes the following descriptions:

- | | |
|---|---|
| 1. Profile Of The Perfect Retail Employee | 15. Merchandise Manager |
| 2. Basic Position Description For All Employees | 16. Office Manager - Bookkeeper |
| 3. Accountant | 17. Store Operations Manager |
| 4. Accounts Payable Clerk | 18. President |
| 5. Advertising And Display Manager | 19. Shipping & Receiving |
| 6. Assistant Store Manager | 20. Sales Manager |
| 7. Buyer | 21. Sales Associate |
| 8. Cashier | 22. Store Manager |
| 9. Controller | 23. Store Manager (for stores with a General Manager) |
| 10. Credit Sales Manager | 24. Tailor-Head |
| 11. Credit Controller & Collector | 25. Tailor I |
| 12. Department Manager | 26. Tailor II Or Seamstress |
| 13. Display Manager | |
| 14. General Manager | |

Most job descriptions are 2-4 pages long. Your investment is just \$25 for the complete set, including shipping. To order, mail your check to the address below and we will mail the job descriptions to you:

Job Descriptions
The Retail Management Advisors
510 Red Oak Street
Allen, TX 75002

WHAT WE DO . . .

- 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)