

THE RETAIL MANAGEMENT ADVISORS

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THE RETAILER'S ROADBLOCKS TO SUCCESS

The Fair Labor Standards Act (FLSA) establishes minimum wage, overtime pay, recordkeeping, and child labor standards affecting full-time and part-time workers in the private sector and in Federal, State, and local governments. Overtime pay at a rate of not less than one and one-half times their regular rates of pay is required after 40 hours of work in a workweek.

The Fair Labor Standards Act increased the federal minimum wage in three steps:

- July 24, 2007, \$5.85 per hour
- July 24, 2008, \$6.55 per hour
- July 24, 2009, \$7.25 per hour

If you have employees in your store making minimum wage, you **MUST** increase their pay rate immediately! If you have already paid them for time worked after July 24 you must calculate the difference between their old rate and the new rate and give them a paycheck to make up the difference!

See the U.S. Department of Labor's Wage and Hour Web site at (<http://www.dol.gov/esa/whd>) or call the DOL toll-free help line at 1-866-4US-Wage (487-9243) for more information. Even if you do not have any employees currently earning minimum wage you must display a poster telling about it at your business. To get it you can call the number listed above, or go to <http://www.dol.gov/compliance/topics/posters.htm>. Every employer with employees subject to the Fair Labor Standard Act's minimum wage provisions, whether they are actually paid minimum wage, is required to display the poster at your business.

SURVEYS!

The email mailing service that I use to send out my newsletters now offers a SURVEY service. I have already used it a couple of times to get some more information from retailers on my list. If there is a survey that you think would be helpful to you as a retailer, let me know. All suggestions will be considered.

USING AN OPEN-TO-BUY FOR HIGHER PROFITS

The Open-To-Buy is a buyer's "tool" to help him or her do a better job of managing inventory. Many retailers look at it negatively as something that prevents them from buying what they want. In reality it is a tool that helps them make better buying decisions so they can be more profitable. The key is in actually using the Open-To-Buy. Don't go to market and buy what you want then go back and make the sales plan fit what you purchased. Make your plans before market, looking at past history and the current situation both locally and nationally. Of course, when you get to market you may find that some of your plans need to be changed due to fashion change or lack of goods in a particular classification. For example, you planned a nice increase in Leather Jackets but now find out that the selection is not very good. So, you buy more Cloth Jackets instead. That is fine. Except many retailers leave out the next step which is to revise the Open- To-Buy sales plans accordingly. If this is not done, it means that as we go through the season it appears that Leather Jackets is not meeting it's plan because it does not have enough inventory while Cloth Jackets has more inventory than the plan and is exceeding its sales plan. Making the changes to the sales plan and having the Open-To- Buy re-calculated ensures that you will be able to meet your goals instead of just 'guessing' that you are doing OK.

Sales Planning: There are some Open-To-Buy services that tell you they will plan your sales for you, and adjust them as needed during the year. I will never plan a retailer's sales. I will recommend that sales plans be reviewed and revised if needed but I will not do it for the retailer. I feel that no one knows a retailer's business as well as the retailer. There may be a very valid reason why sales have been below plan for the past several months. The city may have decided to tear up the street outside the store. But now the construction work is done. It would be incorrect to reduce plans for the balance of the year due to just looking at the sales performance for the past several months. I know that some retailers would rather have someone else perform this task, but it is my opinion that it is the owner's or buyer's responsibility to plan sales. Since sales are such a critical aspect of a retail store's profitability and success it should never be left to an outsider.

Markdown Planning: Just as some services tell you how much you should sell, some also tell you how much, and when, you should markdown your merchandise. It is as if they think you do not know what is on your sales floor, what is moving and what is not. Do you really want someone who is not in your store every day to tell you it is time to take markdowns, and how much markdowns to take? I believe you should have a markdown goal that you are working towards; however, if you have merchandise that you need to move, you must take the markdown even if it means exceeding your markdown budget.

The Retail Management Advisors offers an Open-To- Buy service to retailers but it is just that -- a service. We do not tell the retailer how much they can sell or how much or when to take markdowns. We know that they are the expert as far as their store is concerned and are able to make those decisions very well. We are here to support them by providing the Open-To- Buy and reviewing the Open-To-Buy for them every month to bring concerns to their attention and follow up to make sure necessary tasks get done in a timely manner.

The benefits of using an Open-To-Buy are: increased Sales, increased Gross Profit, increased Profit, decreased investment in inventory, decreased markdowns. Following are the results of a retailer we worked with to show the difference the use of an Open- To-Buy can make.

Example Comparison

Present (2004) to Past

Big & Tall store - sales \$570,000 in 2004 - STORE IS IN THE SOUTHEAST USA

	I M U %		M D %		G P %		S T R for last 12 months	
	Now	Prior	Now	Prior	Now	Prior	Now	Prior
CLOTHING	62.04	56.75	11.33	22.15	57.97	46.40	2.72	1.23
SPORTSWEAR	59.08	58.19	8.21	22.54	55.81	48.90	4.10	2.46
FURNISHINGS	60.20	57.54	7.02	8.13	57.75	54.60	3.88	1.59
TOTAL STORE	61.12	57.02	9.42	19.12	56.43	48.70	3.28	1.45

If you are not now using an Open-To-Buy for your store and would like to begin, give us a call.

If your computer system has an Open-To-Buy but you would like someone to review it for you on a monthly basis we also do that. I have several clients for which I perform that service.

If your computer system has an Open-To-Buy available but you do not know how to get started using it, I can also help there. I have worked on a number of different systems so can figure out an Open-To-Buy system and help you get it up and running quickly.

You NEED to be using an Open-To-Buy. Do not let anything stop you.

QUOTE OF THE MONTH

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 "I have been impressed with the urgency of doing. Knowing is not enough; we must apply. Being willing is not enough; we must do."

Leonardo da Vinci

### INTERNAL CONTROL MANUAL

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Don't let dishonest employees shrink your bottom line!

Unfortunately, I have seen it happen again and again. A longtime, trusted employee decides to give themselves a "raise" at the expense of the company and management is shocked and hurt. This is the last person they would have thought would do something like this!

According to surveys and studies, 48% of all shrinkage is due to internal theft. Can you afford to turn a blind eye to this? Take proactive steps now to do an internal control audit of your store to see where trouble spots may lie so they can be corrected if needed, before you suffer a loss.

It is up to you, as the retail store owner, to remove all risk free opportunities and provide the controls to eliminate as much of the theft opportunities and paperwork errors as possible

Good controls help minimize shrinkage and increase profit. At 5% Net Profit, it takes \$2,000 in sales to make up for \$100 lost to shrinkage (amount of loss divided by Net Profit %).

Our Internal Control Manual helps you find the weak spots in your procedures so you can correct them. It is set up in an easy question / answer format with any NO answer indicating a possible weakness in your controls. For more information, and to order your copy at just \$95, including shipping by Priority Mail just log into our web site at http://www.the-retail-advisor.com/internal_controls.html.

TELE-SWAP GROUPS

Did you ever wish you had someone to talk to about your business? Now you can. Join one of our new retailer teleconference groups.

Starting this year, I have initiated a new teleconference service for independent retailers who would like to meet with their peers but can not afford the travel costs or to be out of the store 2-3 days every 6 months which is a requirement of a regular SWAP (Share With A Peer) Group.

DON'T STRUGGLE ON YOUR OWN WHEN YOU CAN GET HELP FROM OTHERS WHO HAVE DONE IT BEFORE!

You do not have to struggle alone to solve all your store's problems. All retail stores have similar problems and many have had, and solved, problems you are facing right now. By being part of this discussion group you can save time and money, and increase your bottom line.

What issue or problem do you have RIGHT NOW that you would like some input about? Sales? Employees? Expenses? Buying? NOW is the time to do something about it!

YOUR OWN ADVISORY PANEL

The new service will be a monthly teleconference call that will be a combination of discussion group and coaching. Each month there will be a one hour conference call for the group. The group will have 4-6 members with all members operating similar businesses in non-competing areas. This makes the information more relevant for those in the group since you will be meeting with others with the same or similar merchandise and type of store operation. For example, although menswear retailers and dance retailers both own retail stores, their needs and challenges are very different. Also, a single store operation has different issues than a 5-store chain.

The stores in the group will also be in non-competing areas. That way you do not need to be concerned with being on a call with your competitor and you can be more open with your ideas and opinions. This is critical to the success of the group.

Below is a quote from an article in the Pittsburg Business Times:

Ann Dugan, Executive Director of the Institute for Entrepreneurial Excellence said "It's like having a virtual advisory board or board of directors who are there for you and can help you avoid making some costly mistakes."

I am excited about this unique opportunity for independent retailers and hope you are too!

To sign up for a group, just log into my web site at http://www.the-retail-advisor.com/peer_groups_tele-swap.html.

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)