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**PREPARING FOR A DISASTER**  
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We got the following information from our good "friends" at the IRS. It has a lot of good and helpful information you need to be aware of.

Planning what to do in case of a disaster is an important part of being prepared. The Internal Revenue Service encourages taxpayers to safeguard their records. Some simple steps can help taxpayers and businesses protect financial and tax records in case of disasters.

Listed below are tips for individuals and businesses on preparing for a disaster.

#### Take Advantage of Paperless Recordkeeping for Financial and Tax Records

Many people receive bank statements and documents by e-mail. This method is an outstanding way to secure financial records. Important tax records such as W-2s, tax returns and other paper documents can be scanned onto an electronic format.

Be sure you back up your electronic files and store them in a safe place. Making duplicates and keeping them in a separate location is a good business practice. You can copy them onto a 'key' or 'jump drive' periodically and send it to a relative in another city for safe-keeping in case your normal computer backup systems are destroyed. Other options include copying files onto a CD or DVD. Also, many retail stores sell computer software packages that you can use for recordkeeping.

When choosing a place to keep your important records, convenience to your home should not be your primary concern. Remember, a disaster that strikes your home is also likely to affect other facilities nearby, making quick retrieval of your records difficult and maybe even impossible.

#### Document Valuables and Business Equipment

The IRS has disaster loss workbooks for individuals (Publication 584 (PDF)) and businesses (Publication 584-B (PDF)) that can help you compile a room-by- room list of your belongings or business equipment. This will help you recall and prove the market value of items for insurance and casualty loss claims.

One option is to photograph or videotape the contents of your home and/or business, especially items of greater value. You should store the photos with a friend or family member who lives away from the geographic area at risk.

#### Check on Fiduciary Bonds

Employers who use payroll service providers should ask the provider if they have a fiduciary bond in place. The bond could protect the employer in the event of default by the payroll service provider.

#### Continuity of Operations Planning for Businesses

How quickly your company can get back to business after a disaster often depends on emergency planning done today. Start planning now to improve the likelihood that your company will survive and recover. Review your emergency plans annually. Just as your business changes over time, so do your preparedness needs. When you hire new employees or when there are changes in how your company functions, you should update your plans and inform your people.

There are real benefits to being prepared for disasters. The following preparedness strategies are common to all disasters. You plan only once, and are able to apply your plan to all types of hazards.

- Get informed about hazards and emergencies and learn what to do for specific hazards.
- Develop an emergency plan.
- Learn where to seek shelter from all types of hazards.
- Back up your computer data systems regularly.
- Decide how you will communicate with employees, customers and others.
- Use cell phones, walkie-talkies, or other devices that do not rely on electricity as a backup to your telecommunications system.
- Collect and assemble a disaster supplies kit. Include a portable generator.
- Identify the community warning systems and evacuation routes.
- Include required information from community and school plans.
- Practice and maintain your plan.
- Update Emergency Plans.

Emergency plans should be reviewed annually. Personal and business situations change over time and so do preparedness needs. Individual taxpayers should make sure they are saving documents everybody should keep including such things as W- 2s, home closing statements and insurance records. When employers hire new employees or when a company or organization changes functions, plans should be updated accordingly and employees should be informed of the changes.

Make sure you have a means of receiving severe weather information; if you have a NOAA Weather Radio, put fresh batteries in it. Make sure you know what you should do if threatening weather approaches.

#### Count on the IRS

In the event of a disaster, the IRS stands ready to help. The IRS has valuable information you can request if your records are destroyed.

Immediately after a casualty, you can request a copy of a return and all attachments (including Form W-2) by using Form 4506, Request for Copy of Tax Return (PDF).

If you just need information from your return, you can order a transcript by calling (800) 829-1040 or using Form 4506-T, Request for Transcript of Tax Return (PDF). There is no fee for a transcript. Transcripts are available for the current year and returns processed in the three prior years. IRS.gov is an indispensable resource as you prepare for and recover from disaster.

Don't wait for another Katrina or a tornado to start thinking about what you need to do, or should have done!!

## GETTING READY FOR MARKET?

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If you are getting ready to go to market there are certain steps you need to take before you start writing your orders.

### 1. Plan your sales!!

This is the most critical thing you can do as you need to be buying to meet a sales plan. You do not want to be in a position of buying a certain amount of merchandise, then trying to figure out how to sell it once it gets into the store. Retailing is not like the movie "Field of Dreams" where all the star had to do was build the baseball field and people came. (If you buy something for your store, customers will not automatically appear to buy it!)

### 2. Plan how much of your Open-To-Buy dollars to hold back for in-season promotions and fill-ins.

As the economy slows down this is also your insurance that you will not end up with a lot of merchandise at the end of the season if actual sales are lower than you planned. This is also a good way to increase your initial markup as in-season goods are generally available at a much better price to you. I have talked to retailers who tell me they only order the minimum amount at market and buy the rest in season. This would not work for those of you who are buying for a particular look in your store as the goods you want may not be available in season. This is a call that only you, as the buyer, must make.

### 3. Stick with your buying plan!

This can be the hardest part of buying. As you view all the lines you may see a great new line of merchandise. However, you may have already placed your orders and have no Open-To-Buy dollars left. Some will buy it anyway, thinking they will get some extra sales. What usually happens is that this merchandise will sell but you will be left with the other merchandise you have in the store. This is why I recommend you do not place all your orders at market but leave some dollars available for new things that you may find. It is also a good idea to spend a little time just "walking the aisles" to see what is new or different that you may be able to bring into your store.

## SURPRISE! YOU HIRED A THIEF – PART 3

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Some of the most likable people you'll ever meet may have few morals and little or no integrity. Employee theft usually comes as a "complete surprise" to co-workers and business owners. "He (or she) always seemed so nice and energetic; I never dreamed I'd hired a thief," lamented a business owner. Obviously, no employer wants to believe they have hired and trusted someone who would even consider stealing from them but facts from law enforcement tell a different story. Furthermore, most employers believe that all of their employees have the same views of what theft is as they do. The sad truth is they do not.

A thief is someone who takes property by stealth belonging to another without consent of the other. Part one of the theft psyche is the conscious choice to take something belonging to someone else. This excludes the employee who carries the occasional pencil (one) home in a pocket but clearly nails the employee who carts home 2 boxes of number 2 pencils when school starts or the employee who wears the store's newest polo shirt home.

Further, a thief takes without consent. While this seems very clear-cut, many employees do NOT consider unauthorized "borrowing" to be stealing. I was appalled by the number of people who felt that an employee who "borrowed" (without permission) money from the till then replaced it a few weeks later, was not doing anything wrong. Many responses to this woman's complaint against her employer was that the employer needed to have compassion. This particular article spoke of a woman who had been "borrowing" from cash deposits for years whenever she found herself short of money and then

paying the money back on payday. She was not caught until she fell behind and was not able to replace everything she had borrowed one month. So, talk with your employees TODAY. Be sure your employees know that borrowing without permission FOR ANY REASON is stealing!

While this addresses the theft of merchandise and supplies, a store owner must also be vigilant about time theft. Those long lunches or short days or personal business on company time, also take a big bite out of company profits. Some authorities on the subject estimate that the cost of time theft is comparable to that of merchandise theft. While all employees have the occasional emergency to deal with, as an employer, be diligent to protect your business from this theft.

*"A thief believes everybody steals."  
Edgar Watson Howe, American Editor, Novelist and Essayist*

So, why would an employee steal from you?

Sociologists have laid out three general reasons.

**1. The employee experiences some catastrophic occurrence** -loss of major personal relationship (to death, divorce or break-up), illness, natural disaster (like a tornado or flood) etc. One of the contributors added that this would be a catastrophic occurrence to the employee, but not necessarily to anyone else. One such example was an employee with a car that needed new tires and the employee was short of the necessary funds to purchase them. While you and I do not consider this a catastrophe, at least one employee in America did. This type of theft is usually out of the employer's control.

**2. The employee feels unappreciated or slighted in some way.** This also is out of the control of the employer. Some employees may feel slighted for completely illogical reasons. "I took vacation and did not receive the holiday bonus given to those working Black Friday." While the employee made the choice to take vacation on a day he or she was needed, the employee still felt entitled to the same bonus given to those who worked. A different example was the man who worked for at a grocery store for many years, but "fell through the cracks" and was not given regular performance reviews. For 5 years this employee did not receive a performance review or a raise in pay, and he felt entitled to the free merchandise he took home each day.

3. The final reason, and according to police the most important, is **opportunity**. No crime can occur without the physical opportunities to carry it out. This is also the most prevalent reason employees gave for stealing. The employer has the responsibility to be diligent to prevent theft opportunity. Any store that makes stealing easy allows (the police author used the word "causes," not "allows") more crime to occur in two ways: by encouraging more people to participate in crime and by helping each thief to be more efficient as a thief. On the other side of the coin, stores that have thwarted theft with careful design and good management reduce the problem by producing fewer thieves and cutting the efficiency of each offender.

According to a Police and Crime Reduction Unit research project, for a crime to happen three minimal elements must come together: a possible offender, a suitable target (your merchandise), and the absence of a capable guardian against crime (also known as opportunity). Offenders have goals when they steal, even if these goals are short sighted and take into account only a few benefits and risks at a time.

Here is another interesting fact of a retail employee poll. Psychologists learned that of those employees in their 1976 survey who admitted to stealing from their employers, over half felt no guilt. Many said they did not feel they were stealing because if they were, their employer would do "something" to stop it. 38% of the takers also felt that "everyone" does it.

*"Doesn't the fight for survival also justify swindle and theft?  
In self defense, anything goes."  
Imelda Marcos, former first lady of the Philippines*

While no employer can completely eliminate every opportunity for employee theft, there are several things to do to allow fewer opportunities.

What kind of internal controls do you have? Do you, the storeowner who built and babied this business, ever perform surprise audits at the cash register? Do you ever show up during your scheduled day or evening off to "help" the employees closing or opening? Observation is a great motivator on both sides. An Ernst & Young report said that many employees are aware of theft in their workplace but do not report it to the employer. Do you have a method in place for employees to tell you of co-workers who may be stealing? Is the reporter's identity protected?

Are you still not convinced that you, too, could have hired a thief? Here are some statistics that tell a different story. Consider the following:

- ▶ The U S Retail Industry loses \$53.6 Billion a year due to employee theft.
- ▶ On a per case average, dishonest employees steal approximately 6.6 times the amount stolen by shoplifters.
- ▶ The U.S. Chamber of Commerce reports that 30% of all businesses fail due to internal theft.
- ▶ According to an Ernst & Young Report, as a rule of thumb, a company loses 1% to 2% of its total sales to crime -- most committed by or in collusion with employees.
- ▶ According to K.C. Bettencourt, an undercover investigator, one in three employees steal and it's rising 5% a year.
- ▶ Bettencourt's studies also showed that 20-25% of the work force will cheat when the stakes are high and supervision is low either by stealing merchandise, supplies or time. Furthermore, about 10% will cheat no matter what.
- ▶ The Wall Street Journal reported that up to 75% of all employees have stolen at least once.
- ▶ On the average, 43% of retail workers admitted they have stolen from their employer.
- ▶ The FBI reports that employee theft is the fastest growing crime in the U.S.
- ▶ 20% of employees are currently aware of theft at their work place but do NOT report it.
- ▶ The average time it takes an employer to catch a fraud scheme is 18 months-enough time to do a lot of damage.
- ▶ Here's an interesting statistic to close with. 44% of employees say their employers could do more to reduce employee theft and their employer chooses not to.

So, if you do have honest employees, what are you doing to protect them and their honesty?

*"He who holds the ladder is as bad as the thief."  
German Proverb*

**QUOTE OF THE MONTH**

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"Many of us crucify ourselves between two thieves - regret for the past and fear of the future."

Fulton Oursler, US writer and editor

**JULY 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 July sales.

## COMPARISON OF JULY SALES TO LAST YEAR

|                               | MEN         | WMN         | SHOE        |
|-------------------------------|-------------|-------------|-------------|
| More than 15% below last year | 11%         | 15%         | 0%          |
| 10.1% - 15.0% below last year | 7%          | 0%          | 0%          |
| 5.1% - 10.0% below last year  | 11%         | 0%          | 0%          |
| 0.1% - 5.0%. below last year  | 4%          | 0%          | 0%          |
| <b>EVEN</b>                   | 0%          | 15%         | 38%         |
| 0.1% - 5.0% above last year   | 19%         | 15%         | 25%         |
| 5.1% - 10.0% above last year  | 4%          | 15%         | 13%         |
| 10.1% - 15.0% above last year | 7%          | 15%         | 12%         |
| More than 15% above last year | 37%         | 25%         | 12%         |
| <b>TOTAL</b>                  | <b>100%</b> | <b>100%</b> | <b>100%</b> |

### TELE-SWAP GROUPS

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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](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**

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 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<br>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 . . .**

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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)