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**DISHONESTY IN THE RETAIL STORE ENVIRONMENT – PART 4 (FINAL)**  
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**In last month's newsletter we discussed the fact that 85% of all employees are basically honest but can steal under the right set of circumstances. We also reviewed two actual incidents I was involved in and some of the many ways in which employees steal from their retail store employer. This month we will discuss steps you can take to keep from hiring dishonest employees and how you can keep your existing employees honest.**

The best time to weed out dishonest employees and the problems they cause is by not hiring them in the first place! There are too many retailers who do no checking at all of potential new hires. At the minimum, you should be checking references to see if the prior employers would hire this person again. A criminal background check is also a good thing to do. A drug test is also an excellent tool to use. People who use drugs, which are illegal and expensive, are more likely to have need for cash beyond their paycheck and more willing to use illegal means to obtain it. Another tool the store owner has is what is called an "Integrity Test". This is a test taken either with paper and pencil or on-line to check the applicant's potential for dishonesty. The goal of these tests is to eliminate the candidates most likely to steal from the company. They are, however, no guarantee that the person you hire will not steal sometime in the future. We have reviewed a number of these tests in our office and following are 4 that we feel did a good job.

#### 1. The Reid Report Test

The Reid company was founded in 1947 by John E. Reid, an attorney and criminologist and often referred to as the Father of the Polygraph. Mr. Reid partnered with Fred Inbau, Professor Emeritus at Northwestern School of Law and started to identify patterns in behavior and psychological attitudes that resulted in the Reid Report for use in evaluating prospective employees, which in 1950 became the first commercially available written integrity test.

The test is not lengthy (50 questions) and the questions are worded in such a way as to leave much gray area to be defined by the prospective employee. It is through this definition process of the gray area that the patterns start to emerge. To review this test, we used an on-line format. The test-taker remarked that the font was small and difficult to read—enough that it slowed the test taking procedure some. However, this is a well-rounded test that measures attitude, social behavior, substance abuse and work background. Vangent, currently marketing the Reid Report Test, can customize the test for an

individual company and the test can be administered on a computer or by paper and pencil. Cost in June of 2008 was \$20 per test.

For more information on the Reid Report test click here. (web-site link: <http://www.vangent-hcm.com/Solutions/SelectionAssessments/>)

## 2. IntegriView:

IntegriView was founded in 1983 as CHC Forecast and has more than 20 years of experience helping leading retailers in the US and Canada reduce employee theft and dishonesty. They are

also active members of the National Retail Federation. This was a well-rounded, well-worded test. The test-taker commented that it would have been helpful to freeze the answers so that as the screen scrolls up the answer choices remain visible. The questions are positively worded and not, in any way, offensive to the test taker. The IntegriView test further suggests questions for a business owner to ask to clarify anything that has potential to be a problem later.

This test is also available printed and/or online. The base price of this service is \$12 per test, but there are volume discounts. There is no annual fee and no contract.

For more information on the IntegriView test, click here (<http://www.integriview.com/index.php?Action=> ).

## 3. Smart Moves:

SmartMoves! was founded in 1997 by Barbara Spector, a management consultant with 24 years experience. SmartMoves! serves the entire United States and Canada, offering web based assessments, training and coaching.

In review, the SmartMoves! test, also easy to take, seemed almost totally focused on drug usage. While that may be a leading cause of theft, I thought the questions were repetitive and related to drug usage almost exclusively, not to integrity. However, the test was quick and easy- both easy to read and not open to much interpretation by the test taker. Both questions and answers were very black and white.

For more information, click here. (<http://www.smartmovesinc.com/index.php> )

## 4. Psych Tests

PsychTests.com is a subsidiary of Plumeus Inc., a privately owned high-tech company. The psychologists, statisticians, and artificial intelligence specialists that make up the PsychTests.com team all have years of experience in the online testing field. Their mission is to provide anyone interested with assessment tools of the highest quality. The long-term extension of this mission is simple: to give both individuals and corporations the opportunity to evaluate aptitudes, attitudes and personality traits in an interactive way. By bringing state-of-the-art tests to new markets, PsychTests continues to lead the way.

This site was set up to be a self-test. My test-taker scored a 91 out of a possible 100, which according to the results means she should assumed to be an honest employee. The cost to purchase the report was \$6.25 per test as is on-line. Test took about 25 minutes. Questions were well-worded, the font was easy to read. All answer choices repeated with each question. This test provided answer choices that were varied with little interpretation needed. This company will re-work their master test for individual purchasers on company letter head or will score the test in greater detail for a price. To get more details on pricing information for your company, click here (<http://www.psychtests.com/> ).

Store owners have a responsibility to themselves, their store and their employees to try to keep people honest. In addition to properly screening out dishonest people so they are not hired, the other step that needs to be taken at your store is to build an atmosphere of honesty so people not only are not tempted to steal but will alert management if they see another employee stealing. This can be difficult. A number of years ago, Peter Berlin, in the Berlin Report told about what he called the "Code of Silence" that keeps an employee from turning another employee in to management for

dishonesty. According to Peter, this goes back to the childhood honor system of not 'ratting' on siblings or friends. This has been carried forward into adulthood and keeps honest employees from reporting dishonest co-workers to company management. One way to combat this is to hold a company meeting in which employee stealing is addressed.

Company management needs to let employees know that dishonest employees are hurting not only the company but the other employees as well since management may have to reduce costs in other areas to make up the losses. This can result in lower benefits or elimination of bonuses.

From Peter Berlin's report: "By getting everyone to talk about it, employees begin to realize that their co-workers don't like stealing any more than they do, and that the 'code of silence' is based on a bedrock of nothing." Such discussion should lead honest employees to take action when they see other employees stealing from the company.

One way to encourage employees to report dishonest activity is to have a "hot line" they can call and give anonymous tips to management. That way they are doing the right thing but no one needs to know who reported the problem.

Management must also accept it's share of the blame for employee theft. If attitudes and controls are lax it sends the message to employees that management does not care. Employees then feel it is OK to take merchandise for themselves or to help themselves to cash in the register. This is why it is very important that managers and owners scrupulously follow all procedures so there is never any appearance of unethical actions on their part. If the owner wants to take merchandise out of the store for personal use, the appropriate paperwork must be done so employees can see that even the owner follows all the rules.

We hope this series has been an eye-opener to many of you out there. Shrinkage CAN be reduced! It is up to YOU to make sure it happens.

## QUOTE OF THE MONTH

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 "Man prefers to believe what he prefers to be true."

Sir Francis Bacon

## AUGUST 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 August sales.

### COMPARISON OF AUGUST SALES TO LAST YEAR

	MEN	WMN	SHOE	GIFT
More than 15% below last year	25%	10%	7%	10%
10.1% - 15.0% below last year	7%	15%	7%	10%
5.1% - 10.0% below last year	11%	5%	20%	40%
0.1% - 5.0% below last year	21%	15%	20%	0%
EVEN	4%	5%	20%	10%
0.1% - 5.0% above last year	7%	20%	7%	0%
5.1% - 10.0% above last year	11%	15%	20%	10%
10.1% - 15.0% above last year	4%	5%	0%	10%
More than 15% above last year	11%	10%	0%	10%
TOTAL	100%	100%	100%	100%

## OPEN-TO-BUY SERVICE

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**Control your inventory and increase profit with TRMA's Open-To-Buy Service starting at just \$300 a month.**

It is critical for the retail store that inventory be controlled so there is not too much or too little. We have been providing this service to retailers for many years, and at a price even the smallest retailers can afford.

For more information, call us toll free at 1-877-206-1299, visit us on the web at <http://www.the-retail-advisor.com/open-to-buy.html>, or send an email to [LC@the-retail-advisor.com](mailto:LC@the-retail-advisor.com).

## 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:

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|---|--|
| 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 . . .

- 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)