

THE RETAIL MANAGEMENT ADVISORS

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OCTOBER 15, 2007

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THE PAPERWORK REALLY IS IMPORTANT!

Often in a retail organization, the owner/manager does not realize or appreciate the importance of a well-run office. When the office is running smoothly the owner/manager can devote his energies to buying, managing and increasing sales. When the office is poorly run the owner/manager will find his time taken up with the daily frustrations of trying to operate a retail business without current, accurate management information.

There are a number of consequences of a mis-managed office or of having the wrong person in the office. Some of these are:

Late Management Information: A disorganized, inefficient person who cannot get the work done on time will not be able to provide management with timely information.

Wrong Information: Inaccuracies in record keeping cause erroneous results in management reports.

Poor Use of Management's Time: Management's attention is diverted from other pressing duties. Too much management time must be spent overseeing the office function and training new employees.

Excessive Employee Turnover: If the office personnel are not right for the job, they will leave or be terminated. Also, buyers and others who depend on the reports produced by the office may get discouraged and leave.

Frustration: It is very frustrating for management to have to continually deal with the problems caused by a mis-managed office.

There are also many hidden costs associated with a poorly run office. Some of these costs are:

Added Personnel Cost: It takes time to find record keeping errors - much more time than it would have taken to do it right in the first place. Also, if there is an excessive amount of employee turnover, it takes more of management's time to hire and train new personnel.

Poor morale: Many buyers and store managers compensation is based in part on merchandising results. They may be unfairly penalized when the data on which their compensation is based is inaccurate.

Shrinkage: Shrinkage, whether it is caused by missing merchandise or record keeping errors, reduces gross profit. When shrinkage occurs, it takes time for both the office and management to search for the causes.

Additional Paperwork: Since management has no confidence in the record keeping additional, normally unnecessary, records will be kept; i.e. daily cash balance records, vendor accounts payable files, subsidiary sales records, etc.

Mistrust: Management does not know how much of the shrinkage is paper shrinkage and how much is true shrinkage. When shrinkage is high, management may begin to suspect employee theft as a cause. This will hurt the working relationships and will have a negative effect on the store's atmosphere.

Doubts of Accuracy of All Management Records: If the ending inventory figure on the Inventory Management Report is wrong, the sales, receipts and markdown amounts are also wrong. And, if the inventory records are incorrect, how can you be sure that the Financial Statements are correct?

Lost Opportunities: Without timely, accurate merchandising information, management misses additional profit-making opportunities to make special buys of needed merchandise, to refuse late shipments of unneeded merchandise, or expand assortments in a profitable classification.

Bad Buying Guidance: If the inventory records are incorrect, how can you be sure of buying the proper amount of merchandise? The inventory report may say that you have \$6,000 in stock for a particular merchandise classification when in fact you have \$9,000. If the buyer goes to market thinking that there is currently \$6,000 in stock, she will overbuy by \$3,000.

How can you tell if your office is being run as well as it should be? Take a few minutes and answer the following questions:

Is the work getting done on time?

Is the work accurate?

When you go into the office, are papers filed away neatly?

When you ask for a document, can it be easily found?

Are all reports prepared on a timely basis?

Is a documented work schedule being adhered to?

Are General Ledger accounts (cash, accounts receivable, Accounts Payable, Merchandise Credits or Due Bills, Gift Certificates, Inventory) regularly verified to subsidiary records?

If you cannot answer "Yes" to the above questions, it is time to take a good hard look at the way your office is being run - and the person running it. A thorough review by your accountant or consultant would be very helpful. They can provide an impartial appraisal of both procedures and personnel and offer solutions that will be best for your organization.

The importance of having the right person running the office cannot be over-emphasized. This person should be organized, accurate, conscientious, have good math ability, be able to juggle a number of different tasks each day, and be able to meet deadlines.

We have seen the effects of a poorly-run retail office many times. We have also seen how much more smoothly and effectively the whole organization operates with a well-run office. If your office is not being run as smoothly and efficiently as possible take steps now to correct this situation. Reap the benefits of a well-run office or face the consequences of a poorly-run office. The choice is yours.

SEPTEMBER SALES SURVEY

THANK YOU to everyone who participated in our survey. Your participation makes the results meaningful.

To remind everyone, this survey concerns September sales.

SEPTEMBER 2007 SALES COMPARED TO 2006

	MEN	WOMEN	CHILD	SHOES	GIFTS
More than 15.0% below last year	7%	10%	9%	7%	6%
-10.1% - -15.0%	7%	9%		7%	10%
-5.1% - -10.0%	12%	5%		16%	6%
-.01% - -5.0%	16%	12%	31%	14%	10%
EVEN	12%	19%	19%	9%	10%
+.01% - +5.0%	17%	21%	9%	16%	10%
+5.1% - +10.0%	16%	12%	19%	16%	
+10.1% - +15.0%	7%	7%	3%	7%	13%
More than 15.0% above last year	7%	5%	6%	5%	19%
	100%	100%	100%	100%	100%

QUOTE OF THE MONTH

"Every failure, obstacle or hardship is an opportunity in disguise.
Success in many cases is failure turned inside out."

Mary Kay Ash, the owner and founder of Mary Kay Cosmetics

INTERNAL CONTROL MANUAL

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 . . .

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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)