

OUR STAR PERFORMER

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Comparison of Year-To-Date Results of Current Year (2004) to Prior (before making change)

EXAMPLE COMPARISON

PRESENT (2004) TO PAST

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

DEPARTMENT	YTD IMU%		YTD MD%		YTD GP%		STR 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	60.2	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

NOTE: Even if sales had remained the same, at \$570,000 both Prior and Now, and using the GP% above this means this store's Gross Margin increased by \$44,061 !!

Comments from a phone interview with the owners of this store:

In today's economy it is more difficult to turn a profit especially for the small retailer. Yet, it can be done. Consider this example. A big and tall men's wear store located in the southeast United States, took just 2-3 years to more than double their Stock Turn Rate. Gross profit increased from 48.70% to 56.43%, initial mark-up percent increased 4 percentage points and mark-downs were reduced by 10 percentage points.

As promised in our last newsletter, following is more information concerning the "Star Performer" retail store. I talked with "V" at their store who was very open about what they had done to achieve their terrific results and said we could share the information with our readers. On a personal note, it is very gratifying to find a retailer who actually does what we recommend and be successful due to it. Following is the information from our conversation:

As "V" said, "The main change was to get committed!" For most classes, the Stock Turn Rate on the Open to Buy was set to the goal since that kept everyone focused (even though it showed them as being overbought for a time). As inventory was reduced, the owner was ecstatic to find that sales actually improved due to the new, fresh, exciting inventory received. Now, they cannot understand why they ever thought they had to have so much inventory on hand in order to sell. The following are some tough questions they were forced to address to bring about this terrific change.

1. What is the best way to control inventory? "V" at our B & T Men's Store says, "A well-developed class structure is still the best way to manage inventory, even if you are using a SKU system." If you just have SUITS as a class you will have to search through too many SKUs to find the problems. Divide your classes to make tracking easy. Our example store dropped one class of suits but dress shirts went from 7 classes to 11. According to "V," here is the key: "Hold back 20% or more of your Open-To-Buy for fill-ins and in case the

sales plan does not "happen." On dress pants, we hold back 40-50% and have no problem getting merchandise "in season."

2. How can I get vendors to work with me? First, eliminate duplications. Drop a line of two. Become more important to fewer vendors. Then, be loyal to these vendors. If something is new, typically your vendors will have it, or will have it very soon. Also, be careful of new vendors-poor fit or shipping problems are headaches no retailer wants.

3. How can I get deliveries spread out over the season? Work with vendors who will work with you. Again, being important to fewer vendors will work in your favor. Also, consider your buying dollar. Hold back some for later deliveries. If a particular vendor always ships early, "V" will order from that one for that time frame and order from another vendor for later shipments. This will keep customers coming into your store to see your new merchandise. "V" said: "I have found that both good buying and bad buying are a habit."

4. How much should I discount end of season merchandise? They never discount more than 50%. For this retailer, sidewalk sales at 75% or more off are a thing of the past as it "ruins [the store's] image." If any merchandise is left at the end of season and after the 50% off sale, they donate it to a charity in another town (so customers do not see the merchandise in a re-sale shop or charity store--that devalues the inventory). Also, "That [a large amount of left-over merchandise] is the owner's and buyer's wake-up call." It's time to adjust buying.

5. How long should I hold end-of-season merchandise? "NEVER hold onto old merchandise because you think it has value," said "V." "In reality, it has little or no value. Get rid of it so you can buy new. NEVER carry over ANY Spring/Summer into Fall/Winter or Fall/Winter into Spring/Summer."

6. How can I attract new customers? "Do not let your store grow as old or older than your age. You can not just buy what you want. You must always buy what the younger person wants. As people get older they tend to buy less because clothes are not that important to them anymore."

7. How can I keep customers coming in? As the store starts getting more new merchandise in on a regular basis, customers come in more often to see it. It is easy to do that with neckwear. Suits are more difficult. But, as "V" REDUCED INVENTORY, "he was ecstatic to find that SALES IMPROVED due to the new, fresh, exciting inventory that was being received." His advise: "Stay clean and keep buying new goods."

8. How much should I consider past sales in future orders? History is important to avoid mistakes, but retailers need to be forward thinking instead of backward thinking. Be careful. Just because something sold well last year does not mean it will sell well this year. You need NEW goods. In this example store, last year, dress slacks did extremely well so higher sales were planned for 2005. Now they are having a problem with sales and are working out of the excess inventory. Every season, the buyer must continue to fine tune buying and bring in NEW merchandise.

9. It looks like I may not make my sales plan. What can I do? Get committed to your sales plan. Stay focused. Keep clean. In "V's" store, they have found that many times they can make the sales plan, even if they do not go back and buy the additional 20% they had held back. **They cannot understand why retailers think they have to have so much inventory on hand in order to sell.**

According to "V," "There are always ways to make your store better."

You must continually look for ways to improve."

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