

The Nine Piece Toolbox

FINANCIAL MANAGEMENT TRACK

For Your Business!



Presented
by
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PROFITS+PLUS
Solution\$
FOR SMALL BUSINESS

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The 9-Piece Toolbox of a Profitable Store

You have heard the old adage, "You can't get the job done without the right tools." Surely, this applies to the installers and "do-it-yourselfers" you sell to. And it is also applicable to YOUR store. Each of these nine points represents an area of management in which you should excel.

- Identifying the marketplace and its changes
- Having an ongoing education program
- Utilizing master sales techniques
- Knowing where and how to implement a pricing strategy
- Maximizing the Alliance University program
- Having a theft-control plan
- Understanding basic financials
- Using financial ratios to help you manage better
- Knowing how to preserve yourself

Identifying the marketplace and its changes

What makes your business so different?

A. Define your business

- 1.
- 2.
- 3.
- 4.
- 5.

B. Define the similarities to your competition

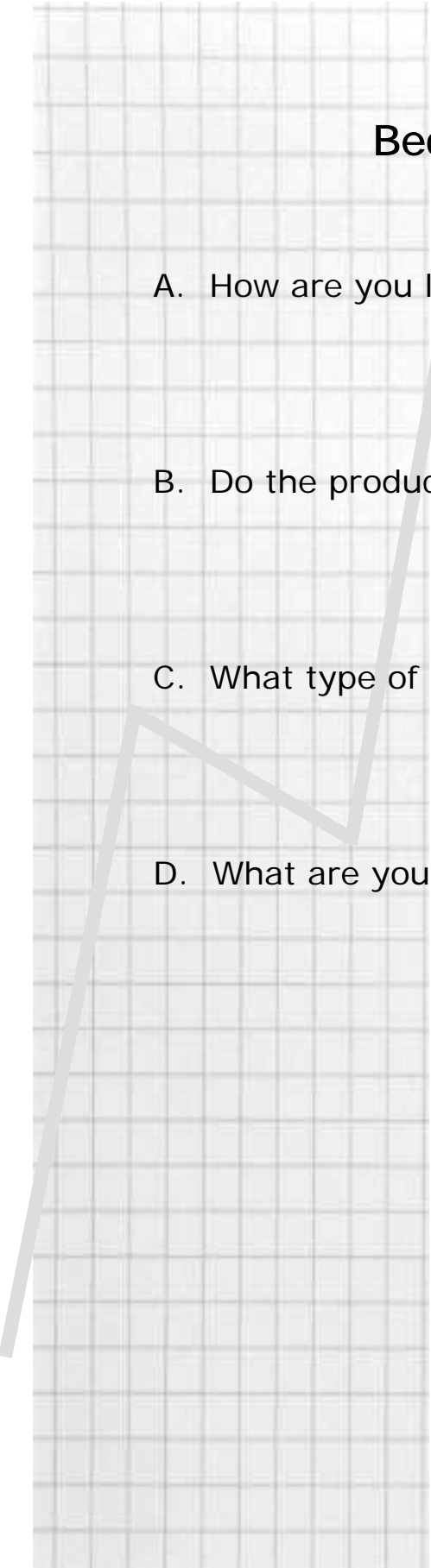
- 1.
- 2.
- 3.
- 4.
- 5.

C. Define the differences from your competition

- 1.
- 2.
- 3.
- 4.
- 5.

D. What would you add or delete?

- 1.
- 2.
- 3.
- 4.
- 5.



Becoming the “right” business for your customers

- A. How are you locating your customer?
- B. Do the products you sell determine your business?
- C. What type of business do your customers know you to be?
- D. What are your options if you do not have the best location?

Customer retention strategies

- A. The cost of new and current customers

- B. The lifetime value of your customers

- C. The value of power promoting

- D. Three possible choices - their pros and cons
 - 1. Price and item

 - 2. Products

 - 3. People attentive



E. Determining the type of customer you want

1. Specific needs-

2. Problematic-

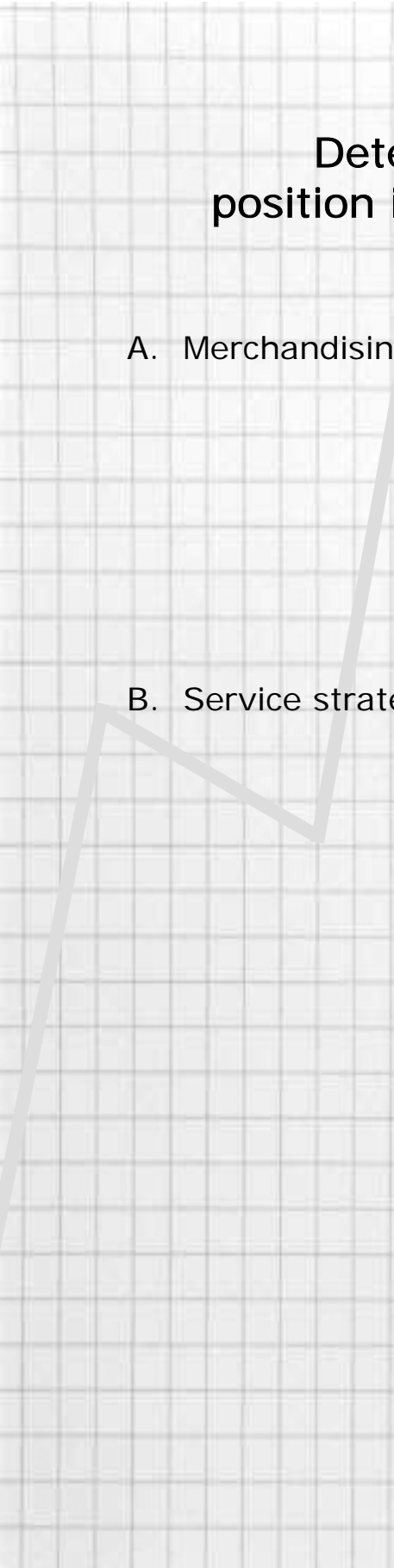
3. Browsing-

4. Price shopper-

5. Confused-

Becoming the type of business your customers are looking for

- A. Stock it -
- B. Value my time -
- C. Sell me value -
- D. Attractive merchandising -
- E. Employee participation -
- F. What else do they want?



Detecting your competition's position in the marketplace and where you should not be

A. Merchandising strategies -

B. Service strategies -

Determining the type of competition in the marketplace

A. Type A business

B. Type B business

C. Type C business

D. Type D business

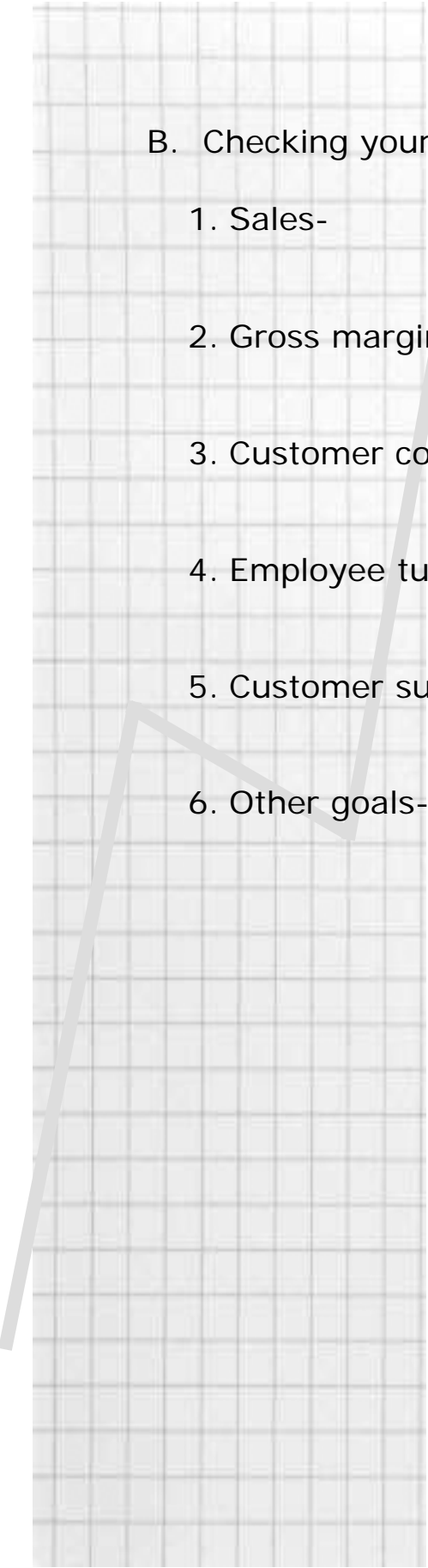
Where should your business be?

Utilizing the sales representatives calling on you.

Setting standards for evaluation

A. What you can do that they can't

1. Promote –
2. Offer Value –
3. Quality –
4. Education –
5. Love your customers –
6. Offensive warfare –
7. Enjoy –



B. Checking your progress

1. Sales-

2. Gross margin-

3. Customer count-

4. Employee turnover-

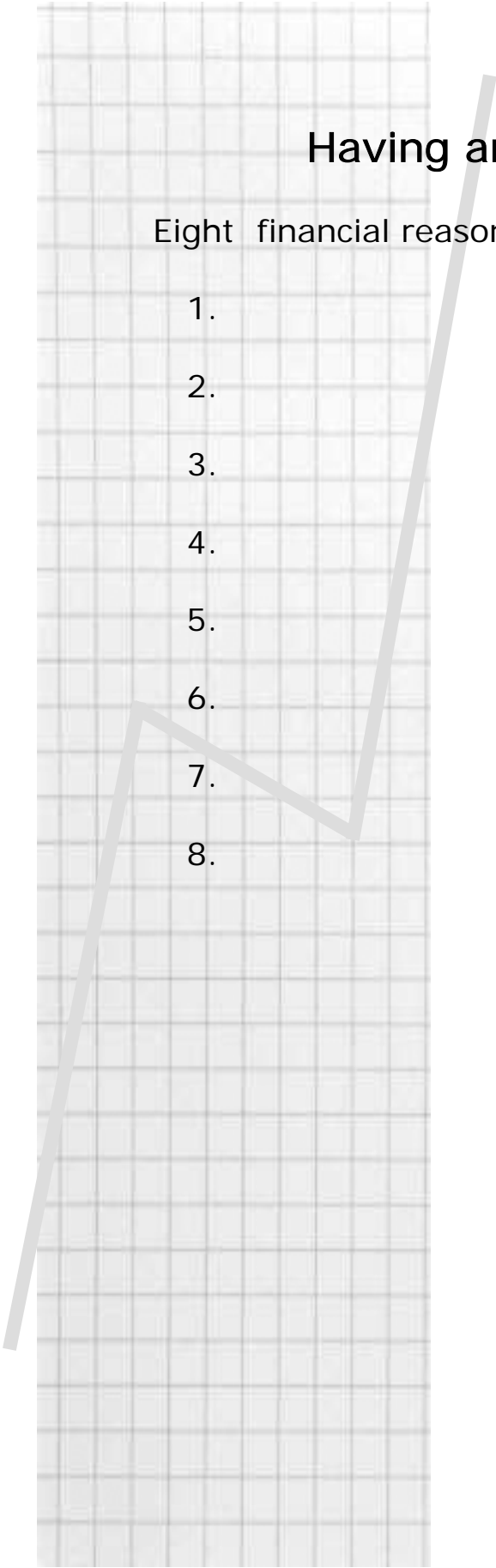
5. Customer surveys-

6. Other goals-

Having an Ongoing Education System

Eight financial reasons for retaining and training employees

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.



A 10-step method of implementation

1. Initial staff meetings
2. Immediate needs of policy and procedure
3. Knowledge sharing
4. Desired policy and procedure
5. Job specifications
6. Job descriptions
7. Chain of command
8. Involve others
9. Refine
10. Hiring Process

Detailed information on each of the 10 steps

1. Initial staff meetings

A. Length –

B. Frequency –

C. When –

D. Requirements –

2. Immediate needs of policy and procedure

A. Policy –

B. Procedure –

3. Knowledge sharing

A. Advertising –

B. Product knowledge –

C. Service techniques –

D. Sales techniques –

4. Desired policy and procedure –

A. Where do you want to go?

5. Job specifications

A. How to perform...



6. Job descriptions for all

A. Working with customers –

B. Working with each other –

C. Communicating –

D. Leadership –

7. The chain of command



8. Involve others

A. Mentoring –

B. Coaching/teaching –

C. Supervisors –

9. Refine

A. Time line –

B. Job reviews –



C. Scoring –

D. Goals and deadlines –

10. Hiring process

A. Advertising –

B. Job description and applications –

C. Interviewers –

D. Training bonuses –

What your staff wants and needs

- A. Basic needs –
- B. Belonging –
- C. Esteem of others –
- D. Self esteem –
- E. Giving to others –

Promoting the results of your team

- A.
- B.

Utilizing Master sales techniques

Who are you?

Who is your competition?

What do they sell?

What do you sell?

Breaking the sound barrier of customer service

You speak at _____ words per minute (WPM)

They hear at _____ words per minute (WPM)

Questions that you ask are designed to assist.

They allow you to _____

Require the customer to _____

Five types of questions used by a master salesperson

A. Close –

B. Leading –

C. Open –

D. Probing –

E. Emotional –

Questions continued

We say:

This has a 12-month warranty.

The quality is well worth the price.

It is as good as OEM.

Improving your questions

Improve - Identify information that can have multiple meanings

State - Repeat the multiple meaning information with your definition

Target - Get the confirmation of your definition

Extras - Listen for additional information that their response gives

Listen with the intent to understand, rather than with the intent to respond.

—Stephen Covey

What is the message that Covey is sharing?

Adding the subtle touch to the questions

Distance - "up close and personal"

Public area

Range

Activity

Social

Personal

Intimate

Body language

Our message is received by:

_____ % words we choose

_____ % the tone of our voice

_____ % body language

I am open

I am willing to cooperate

I am confident

I am defensive

I am insecure

I am nervous

I am frustrated

Individual connection –
what they are saying

A.

B.

C.

D.

Making persistence pay off
(The postcard technique)

31361

3 days _____

1 month _____

3 months _____

6 months _____

1 year _____



Who are you?

The three questions:

1. Who are your competition?
2. What do they sell?
3. What do you sell?

Knowing where and how to implement a pricing strategy

Defining the need for a pricing strategy

A. Playing the price game with the “big boys”

B. Quality + Service + Information + Price = Value

C. Helping the customer make their decision with the ingredients

1. Quality

2. Service

3. Information

4. Price

The five components of a pricing strategy:

Blind-price items

- A. Defining blind-price items
- B. Examples of blind-price items in everyday life
- C. 10-point evaluation of blind-price items
 1. Extra time to price
 2. Extra handling for customer
 3. Natural add-on item
 4. Seldom used
 5. Repair or replacement item
 6. Luxury or status appeal
 7. Seldom promoted
 8. Not seasonal
 9. Recreational item
 10. Not sold in a mass merchant

D. Scoring with margins

1 – 3 _____ %

4 – 5 _____ %

6 _____ %

7 _____ %

8 – 10 _____ %

Everyday Sale Price

A. Defining items that deserve an everyday sale price

B. Finding the everyday sale price items

C. Promoting your everyday sale prices

Promotional-Price Items

- A. Deciding to advertise
- B. Education as a key ingredient
- C. Advertising and promotional budget

Price-Sensitive Items

- A. Defining items that are price sensitive
 - 1. Has a "sister" product that can be an everyday sale price item
 - 2. The same item, but in a different size/color, is an everyday sale price item
 - 3. Has additional benefits/features that can be easily demonstrated or explained
 - 4. Not sold in mass merchants
 - 5. Not advertised by competition
 - 6. Solves a problem/need better than the product asked for
 - 7. Scores 3 or less on the 8 remaining blind-price item list
 - 8. Quality is immediately proven by way of manufacturer name

B. Examples of price-sensitive items

C. How much can you charge?

D. Reasoning the additional charges

1.

2.

3.

4.

5.

Variable-Price Items

A. Three ways of increasing your margins

1. Departmental review -
2. Fineline review -
3. Rounding prices -

B. The Putney Pricing System (adding 24 cents)

C. Rounding your prices

1. \$2 to \$9.99
.29 .49 .79 .99
2. \$10 to \$19.99
.99
3. \$20 to \$49.99
_1.99 _2.99 _4.99 _6.99 _7.99 _9.99
4. \$50 and above
_2.99 _4.99 _7.99 _9.99

D. *Pricing for Profit* by Bob Aiken ♣ 603-859-6557 6 South Main Street ♣ Farmington, NH 03835



Putting it all together with a sequence for implementation

A. Everyday Sale Price

1. Start watching ads
2. Change items as you find them
3. Never be the lowest price in town
4. If you will lose more money than you are comfortable with, do not stock the item. BUT,

B. Promotional-Price Items

1. Create a budget
2. Don't forget education
3. Stretch your risks over a period of time
4. Measure your results
5. Have a newsletter

How to Put Sizzle On Your Sales Floor

What is your average ticket size?

What are your sales per square foot?

Why is sales-floor analysis important?

____% think all businesses look the same.

____% base their perception of what you sell based upon the exterior appearance.

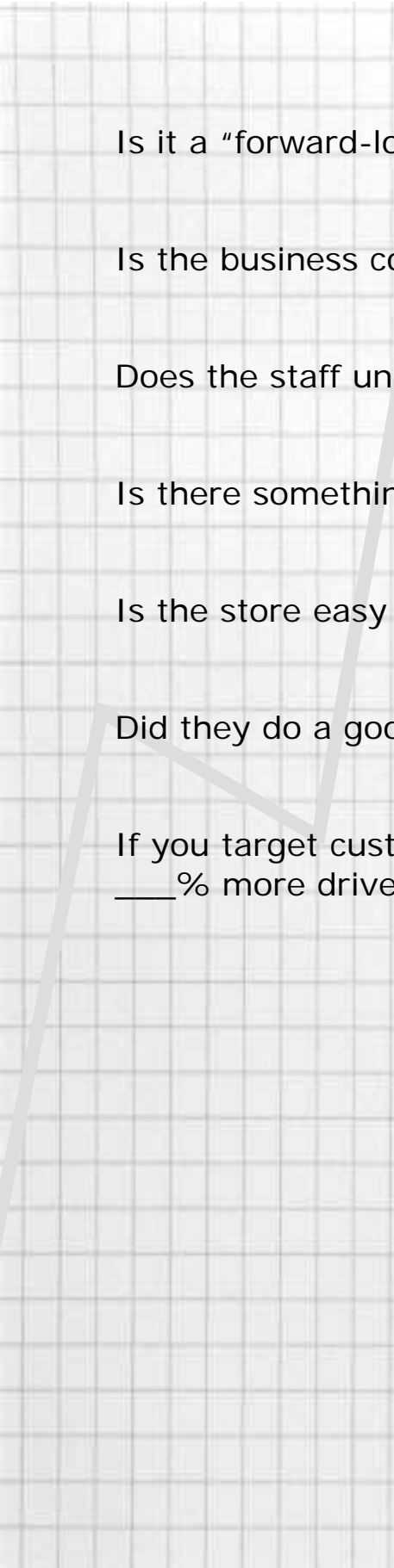
Top 10 things customers notice about a business

Will they take care of a problem?

What is store manager like?

Does it look like it is it worth going in?

Does the store appearance match its advertising?



Is it a “forward-looking” store?

Is the business concerned about my safety?

Does the staff understand the business?

Is there something unique about this store?

Is the store easy to get into and out of?

Did they do a good job of display/demonstration?

If you target customers under the age of 35, they are
___% more driven by appearance than those over age 35.

13 keys to great visual merchandising

Use of signs inside and out

High-dollar items at eye level

Whole goods at eye level

Staple items in rear of store

Have an attractive entrance

Design your traffic flow

Utilize end caps

Have a display with "add-on" items

Display impulse items

Display a season ahead

Appeal to as many senses as possible

Related items facing

Colorize

Five most common mistakes businesses make

Exterior walls not used

Focal points not used to get people to move to opposite walls

No emphasis of the power or main aisle

Does not target a specific type of customer

Does not utilize windows

Maximizing the Alliance University program

Alliance University provides four advantages:

Material for your educational program

Reinforcement of your educational program

Documented assessment of learning by way of testing

\$_____ value of educational tools at no cost to Alliance members

Modules of Alliance University Section/Topic

Which employees should take this topic?

Safety (3)

Employee right to know - parts 1-3

All

Sales (6)

Telephone procedures

Store appearance

Customer service

Salesmanship

Catalog skills

North American warranty

Section/Topic

Human Resources (7)

Pre-Interview

Interview

New employee orientation

Team building

Coaching and counseling

Disciplinary action

Termination

Which employees
should take this topic?

Store Operation (4)

Return goods handling

Delivery management

Shrinkage and store security

Computer reports

Technical knowledge (19)

CV joints

Spark plugs

Batteries

Heating & cooling system

Engine performance

Suspension systems

Steering systems

Fundamentals of fasteners

Air conditioning systems

Appearance chemicals

Automotive greases

Water pumps & radiators

Specialty tools

Specialty tools

Air-conditioning refrigerants

Brake and friction

Diagnostic procedures

Oxygen sensors

Windshield-wiper systems

Wiring

General (1)

Who is the Alliance?

All

Ways to make Alliance University work for your store:

Material for your educational program

1. Take course yourself
2. Take notes
3. Supplement with additional information and first hand experiences
4. Create handouts for use in your store meetings

Reinforcement of your educational program

1. Assign a timeline for each employee to take the online class
2. Use administrator login to observe each person's progress

Documented assessment of learning by way of testing

Require completion of the topic and the 10-question online test

Provide a reward for successful completion

Display the completion certificate within your store

Building or breaking Outside-the-box Management Concepts

Have you ever wondered how some managers/owners are always struggling to develop staff cohesiveness, while others have a staff that works together in a seamless manner? Some businesses manage to get by only because the manager/owner is micro-managing every aspect of the business, while others have a staff that instinctively is able to solve their customers' needs. This session will expose you to what has worked for other businesses as well as how to avoid the pitfalls that other businesses have experienced.

There are 12 blank cards on your table. Write one of the 12 phrases from the next page on both sides of each of the cards. Share the cards as equally as possible among those at your table. On one side of the card(s) you have, write three positive points of utilizing that particular strategy in your business.

After completing this task, pass your card(s) to the person on your right. On the back of the card(s) you now have, write three negative aspects of utilizing that strategy in your business. When you have completed that task, pass your card(s) to the person on your right.

Allow conflicts

Avoid conflicts

Hire for technical skill

Hire for relational skill

Understand what others do

Job solidarity

Keeping personal life outside the store

Embracing
the individual's family

Determine who created a problem

Focus on the entire
operation's failure

Negotiate for all you can get from suppliers

Sharing your
business situation
with a vendor

Observations of what you can use

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

Possible actions you can implement:

- 1.
- 2.

Understanding Basic Financials

1. Profit-and-loss statement -

2. Sales vs. operating expenses -

3. Cost of sales -



4. Cost of sales vs. cost of doing business -

5. Gross margin vs. gross profit-

6. Maintained gross margin -



7. Gross profit vs. net profit -

8. Accounts receivable -

9. Budget -



Great books to read:

One dozen questions to ask yourself as you assign work and want to get extraordinary results from ordinary people:

Do they know *why* they should do it?

Do they know *how* to do it?

Do they know *what* they are supposed to do?

Are they confident your way will work for them?

Have you asked any questions about how they think it should get done?

Do they understand the importance and timeliness?

Is there a reward for their doing it?

Is there a penalty for a poor performance?

Do they have the skills to do this work?

Are you asking them to do this task because you cannot do the task?

Are there enough time and the necessary tools to complete the task?

Do you check in on the progress of the task or wait until they tell you they are finished?

Have you test-driven your staff?

Knowing how to preserve yourself

There is a time for everything, and a season for every activity under heaven...a time to tear down and a time to build...a time to search and a time to give up...a time to be silent and a time to speak.

Develop an advisory board or find a mentor

Candidates for an advisory board

- 1.
- 2.
- 3.
- 4.
- 5.

Mentor possibilities:

Take time to rest yourself

Number of hours worked each week _____

Number of hours spent performing management work _____

Number of hours spent performing duties suitable for subordinate _____

Number of days each month spent away from the store _____

Recharge yourself by way of trade shows, conferences and books

Attends seminars with the right attitude

Active in community and trade associations

Communicates with staff

You cannot fly the store alone

- Second in command _____

- Third in command _____

- Other supervisors (candidates) _____

- The Broyles Effect

- # of hours store is open each week _____

- # of hours each week you supervise the store _____



Appreciates and enjoys our customers

Appreciates and enjoys our staff

Yet, not responsible for everyone

Is an optimist

Take the credit for successes and blame for the failures

Has a "can-do" attitude

Reads books

Stays focused

Executes plans













Doesn't live for a one-time achievement

Doesn't revel in the "good old days"


Doesn't try to get everything done in one day

Resources Order Form

Today's prices reflect a 20-percent savings off regular prices!

	Filled with 251 strategies for increasing business with retailers. Also a great read for retailers.	\$15 <input type="text"/>		Create and see each of your next 12 financial statements (includes a disk for computer installation).	\$25 <input type="text"/>
	Advertising and promotion ideas that have been proven to work at little or no cost.	\$8 <input type="text"/>		Advertising and promotion ideas that have been proven to work at little or no cost.	\$8 <input type="text"/>
	Business-building and managing ideas to increase profits and reduce expenses.	\$8 <input type="text"/>		Business-building and managing ideas to increase profits and reduce expenses.	\$8 <input type="text"/>
	A collection of 50 of the best of Tom Shay's columns from 65+ trade journals and magazines. (PDF format on CD)	\$15 <input type="text"/>		A second collection of 50 of the best of Tom Shay's columns from 65+ trade journals and magazines. (PDF format on CD)	\$15 <input type="text"/>
	29 posters providing inspiration, education and motivation.	\$15 <input type="text"/>		This deck of cards creates an interactive event for employees to learn how to work better with customers.	\$15 <input type="text"/>
	Make your annual advertising, marketing and promotional plans – guaranteed to keep you on budget and on task!	\$30 <input type="text"/>		Screen savers for your PC containing photos of store displays and the best ideas from the Power Promoting books.	\$15 <input type="text"/>

VALUE PACKAGE

	Get the complete 12-piece set of Profits+Plus Tools which includes: EZ Cashflow™ How to become the Preferred Vendor Powers Posters Collection All 4 Idea Books What Does Tom Say? Power Promoting PC Big Deal Cards What else Tom Say? Screen Savors AMP Calculator	\$175 <input type="text"/>
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EACH ITEM SOLD WITH

Name:	Business Name:
Address:	City, State, Zip:
Phone #:	e-mail Address:
Credit Card #:	Expiration date:
Signature:	Today's Date:
Please send me the monthly e-retailer via e-mail FREE!	<input type="text"/>



Attitude Will Determine Business Success

By Tom Shay

SOUND ADVICE FOR BUSINESS

There is an ad that has appeared in many of the financial magazines. Do you remember seeing the ad with two people sitting on a bench, each reading a book? The woman is reading one about becoming a wealthy person. The man is reading the book titled, "I am happy."

While not remembering which of the money market firms the ad was promoting, the gist of their ad was to ask, "Which of the two people would you like to be?" Today, we are taking that comparison and asking you to move it into your business and ask yourself several questions.

In trying to locate the person who is achieving, as compared to the one who is always struggling, it has been my experience that there are several obvious signs to customers as to which type of person owns the business. It shows in the way they talk to their customers and their employees. It shows in the ways they service their customers, both in the normal transaction, and with the customer registering a complaint.

When stopping this business owner or manager to ask questions, it is fascinating to listen to them and most enjoyable to watch them as they tell you about their business. In an issue of *Entrepreneur* magazine, one of their writers, Victoria Neal, stated there are five signs that can help you tell if you or the person you are talking to is an optimistic entrepreneur.

You have a clear vision of what you want to achieve. If you are visiting the office of this optimist, you will probably see a list of these items to be achieved. You may even see several of the items have been checked off to indicate they have been completed.

If you are talking with this person, they can enumerate what they want to achieve. They often brag about their employees, a new product or service they now offer, or just how they see progress in their efforts to achieve their goals.

Continuing with the list from *Entrepreneur*, if we are able to observe this person in action, we would find that our optimistic person spends more than 50% of his or her time working toward achieving that vision.

Jack Rice, an industry speaker and consultant, was a frequent visitor to my business for many years. What is best remembered are his comments about the progress we were making in our business. He would tell us we were being proactive instead of reactive to situations. Jack had a definition of crisis management. It is the business owner or manager who came to work each morning and found less than 80% of the work day being spent doing the things you had planned to do. The rest of your time was spent solving problems and putting out fires that did not exist when you came to work that morning.

The third notable difference of this article would show itself when we would discuss the successes and challenges the owner or manager is having in the business. Our optimist will take 100% of the credit for all of their successes. This is not arrogance, but it does clearly state that the success is not due to luck. It is due to working hard, and working smart.



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On the other hand, this person will also take full responsibility for any and all failures that the business has experienced. You can also tell this owner or manager has learned from the situation, and is now positioned to utilize that experience for the growth of the business.

The fourth point from the *Entrepreneur* article states our business owner or manager avoids those who are emotional vampires. These are the individuals, employees, customers, and others who try to take away your good feeling. To them a success is just luck, and a failure is an expected event.

Again from personal experience, I remember an office manager we hired who was such an emotional vampire that it bothered her when she encountered someone who saw a failure as a lesson and was then prepared to move forward. The emotional vampire becomes the fulfillment of an expression that states, "If you hear something long enough, you will begin to believe it."

Some business owners and managers we have met take this idea of avoiding emotional vampires one step further by surrounding themselves with other business owners and managers who are also striving to be optimistic entrepreneurs.

This industry, like many others has more and more focus groups created among business owners and managers. They meet at various trade shows and conferences. Often they compare details of their business with each other, and set goals for themselves for which they are accountable to their fellow group members.

The last indicator in the list of five is that this person oozes confidence and has a "can do" attitude. This is not to say that by putting a smile on his or her face, a person then sets a goal of doubling their sales and can expect to see it happen the next day. In light of the competition businesses face today, with every business from a mass merchant to a one-person operation, business requires a determination. If the owner or manager of the business is not going to be the optimist, and "cheerleader", then why should any employee have a "can do" attitude?

Taking this five point self examination can help you to become the owner or manager of the business that has everything going its way. We are confident of it!



Hiring Well

By Tom Shay

SOUND ADVICE FOR BUSINESS

Jack Rice, a longtime speaker in the small business arena has said there are three ways to obtain the best employees. The first option is to hire the good ones away from the competition. But that is expensive, as you most likely will only be able to lure them away with money. And if their current employer knows this is a good employee, he is probably already paying the person fairly well.

The second option Jack mentions is to train them to be good employees. This does not take as much money, but it does require plenty of time and effort. It also requires that you, or someone working for you, know the necessary techniques to produce the results you want and need.

Jack gives a third option, given with a smile and sense of humor. That option is to take the small business prayer. (O God, I hope this person works out better than the last one.) While you may look at any or all three of the options, we would like to suggest you first re-examine the initial hiring process. From our experience of working with many businesses over the years, we would like to share some of their best suggestions. The first is to let you know that most of them are always looking for new employees. Not that they want to fire someone, but they always leave the door open for a potential employee to introduce himself or herself.

When they are looking for a new employee, they have told us the best help wanted ad begins with a description of what the person is to do in the job, as compared to first stating the job title or name of the business. The next key ingredient is a job description. It does not have to be long or detailed; some of the best we have seen are no more than a list, numbered in order of importance, one through ten, a brief description of what the employee is to do.

This job description is attached to the application form and is required reading before the applicant can fill out the form. Some retailers even require the applicant to sign the job description before filling out the application. The signature is designed to signify that the applicant understands the job description and is able to fulfill it. The next part of the application process is unique to the most successful. Instead of the owner or manager interviewing the applicant, two of the best employees are assigned the responsibility of individually and collectively conducting the interview.

Experience has shown that by having employees conduct the interview, the candidate is apt to ask more questions, and receive answers they are more likely to believe. With the owner or manager conducting the interview, they sometimes overlook potential negative factors of the candidate. This is especially true if the owner or manager is working hours that would traditionally be covered by the new employee.

Another benefit of having the best employees conduct the interviews is that they have shown a strong ability to find candidates that more closely duplicate the skills of the better employees. The employees conducting the interview are also looking to find the new employee that they will like, and want to work with. There is also the advantage of the performing the interview wanting to show their boss their managerial skills.



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Once you have selected the new employee, the next challenge is making sure they fit in and stay with the job. If a person is going to leave a job, they are most likely to do so within the first 90 days. The other downside of this statistic is knowing your business will spend forty to sixty percent of a year's wages before you have developed a productive employee. Again from our successful businesses, many of them assign a coach to the new employee. It is the responsibility of the coach to mentor, answer questions and develop a friendship with the new employee.

The benefit for the coach occurs when the employee gives a reward to them when the new employee has successfully completed a six-month job review. Some of the most popular rewards have been two weekends off with pay, a week off with pay, or a cash bonus of one week's pay. Of course, there are some businesses that will say this is an expensive price to pay for a new employee. But after a business has gone through three or four employees within a six-month period in an attempt to fill one slot on their team, the coach idea may then appear as quite a deal.

One of the comments we have received from these successful businesses is to let you know that if you are unhappy with the employees you currently have, you are not going to build a new team of employees by trying to hire better ones—one at a time. Without exception, we were told that no matter how strong your efforts, a new hire is more affected by the surrounding employees than by the boss. The suggestion we received was that you create a training program. Something as simple as an hour every other week will put you well on the way to increasing the productivity of your staff.

The ideal employee may or may not come walking through your door. But, by utilizing the techniques of these successful businesses, you are more likely to recognize that person as well as improve the staff you currently have. With the cost of labor being such a sizeable percentage of the expenses on your income statement, isn't this the advantage you want and need to have?



Tag-Team Selling

By Tom Shay

SOUND ADVICE FOR BUSINESS

If you are a sports fan, as a participant or an observer, you probably have a preference for individual or team sports. And when we ask you why, there will undoubtedly be among the reasons, that you like to see a team working together or the performance of a single individual.

Because of your knowledge of sports, perhaps you will agree that referring to a sport as being an "individual" is somewhat incorrect. For any person participating in an individual sport has to have the necessary trainers and coaches to succeed. Watch the Olympics and as an individual is competing, the television camera will undoubtedly show a shot or two of the coach who is present while the announcer tells of the others whose contributions have allowed this individual to be participating at the highest level of the sport.

With team sports there is the same individual effort, but an added factor of each of the individuals working together for a common goal. Perhaps we should look at all sports as being team sports, but some have more than one athlete. There is a strong similarity to this scenario and selling. On the sales floor we often look at this as being an individual effort. Unfortunately in many businesses it truly is an individual effort as sales people see another sales person as being the competitor instead of being the teammate. This happens often in commission sales situations. The synergy of a sales staff can greatly come into play when everyone sees themselves as a team player instead of a competitor. Let's look at two situations where we can greatly increase our opportunity of making a sale, as well as increasing the size of the sale.

Imagine the customer first walking in the door. Hopefully, they see a variety of exercise equipment, clothing and accessories that invite them to move about your store. To set your store apart from the competition, consider using this three-point approach to acknowledging a customer. The first team member needs to greet the customer in a casual and friendly manner; not approaching the customer to wait on them, but simply making eye contact and giving a warm "hello" or "good morning".

If the customer is in a hurry, they will tell you and immediately ask for the product. If they have come into the store to shop, we have not invaded their space and have simply acknowledged their presence.

As the customer wanders into a certain area of your store, and begins to more closely examine a group of items, tread mills for example, we can make another contact. A second team member can make a comment of, "We just got this new model in. We think it is quite an improvement over last year's."

Again we have allowed the customer plenty of space and the opportunity to engage in a conversation. In another few minutes, a third person can walk by the customer with an offer of, "I would be glad to get the owner's manual for you to look at", or "I am putting up some merchandise on the next aisle, so if you have a question just holler for me to come help you".



Tag-Team Selling

By Tom Shay

SOUND ADVICE FOR BUSINESS

As I would hear this, I would thank the customer and remember that at least three people had approached them. Our secret to the friendly sales technique was our tag team effort. The second tag team selling effort is utilized after a customer has asked for assistance. Imagine the situation where one of your sales people is talking with a customer but is unable to close the sale. Many stores use the technique of asking what is stopping the customer from buying today. Many customers will see this as pressure being applied. Instead, our sales person would tell the customer they were unsure about the answer for one of the customer's questions and would ask another staff member for help. The customer was told that the second staff member had a lot of experience with this exercise equipment and that the original sales person wanted to make sure the customer was looking at the right equipment for their needs.

When the second staff member joined the conversation, the original team member would explain the customer's needs. As the second staff person listened, they would make a point to ask the customer one or two additional questions. Sometimes the questions asked provided additional insight to the customer's wants and needs. But often, the questions were asked only to allow the second staff person to participate and the answers did not provide any new information.

From this, the second staff person would confirm the first staff person's suggestion or would say, "I can see where you would select the first rowing machine, but from what you have told me with your last two answers, I would suggest this model, because ..."

This tag team model works for several reasons. One is that the first staff member is seen as wanting to make sure the customer gets the right equipment. If the customer selects the first suggested rowing machine they have added confidence of knowing two sales people have verified their selection. If the second rowing machine is selected, while the customer knows a better selection has been made, the first team member has not been embarrassed in front of the customer.

Anticipating the second staff member to be the more experienced of the two, there is also the opportunity of a question and answer period between the two staff members in an effort to improve the sales skills of the first. In each of our businesses, we have staff members with varying degrees of product knowledge and sales expertise. Of course, we want each staff member to gain from their experiences. We can however, speed up the learning curve by implementing two procedures.

The first is to assign the new or inexperienced person to become the student of the more seasoned staff member. You can make learning these skills a part of the job description and establish a policy of giving a job review every six months; of which a pay raise is contingent upon improving the skills. As for the more seasoned individual, teaching these skills can be a part of their job description with their raise being contingent upon the student gaining these new skills.



Tag-Team Selling

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SOUND ADVICE FOR BUSINESS

If you are not already having bi-weekly staff meetings, this is a good time to begin. And the exercises of working in teams to speak to customers and asking a second team member to participate can be a part of these staff meetings where you have your employees practice with each other. Sporting events, whether they have an individual participant or a team of participants, do require a team of individuals to be successful. And for your business to be more successful and profitable, tag-team selling can be just the right exercise.



SOUND ADVICE FOR BUSINESS

Getting Extraordinary Results from Ordinary People

By Tom Shay

Imagine that we are going to eavesdrop on a conversation among wholesaler and manufacturer's sales representatives.

The discussion centers on retailers and their staff. Undoubtedly, they will be talking about businesses with varying numbers of employees. If we could ask the sales representatives to grade the retailers they call on, using the same letter grade system that we all knew in school, we would find as much variance from store to store as there are stores in the group.

And if we were to further examine all of the stores that had earned an "A", we would find as much variance as we would find in stores that had earned an "F". There would be stores that had large numbers of employees, those with only a few employees, stores with more than one owner, as well as stores that had multiple generations working in them.

Actually, there was a scientific survey done a couple of years ago. A company wanted to develop an aptitude test that could be given to job applicants. It was their hope that they would be able to determine which applicants would make exceptional employees. To develop the test, they asked numerous companies to allow their best employees to be tested. They asked for the employees they referred to as the "tenfers".

This was their way of denoting the employees who gave 110% in everything they did. They tested over 200 "tenfers" for some 45 traits -high IQ, educational background, aptitude, logic skills and other various traits you might expect to see in exceptional employees.

When they totaled the scores, they were very surprised as they found no common traits. There was no way they could create an aptitude test for exceptional employees. So if we reexamine our group of businesses that have earned an "A", we are going to see the same results as the research company.

Allow this writer to suggest that there is a common trait, and that the research company made an error in their work. The error I am suggesting is that they have tested the wrong people. The person to test is not the employee, but instead the employer or supervisor. It has been my experience that while a "tenfer" may walk in your front door to apply for a job, those businesses that have several of them, as well as those that have developed their own "tenfers" have done so because of the talents and skills of the owner, manager, and supervisor.

There are two main reasons why this will happen. One is the understanding and usage of the Maslow theory, while the second is the usage of some well-developed management skills.

The Maslow theory says there are five steps to having a productive individual. The first is to provide them with the basic needs of food, clothing, and shelter. While we would look at this as being their wage, it is appropriate to add that exceptional management examples tend to utilize effective incentive programs.



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The second step of Maslow is to provide the opportunity of the person being a part of a team. To accomplish this, we would suggest the usage of team meetings, titles, and some of the little things like creating business cards for your employees.

Step number three is to provide the employee with the opportunity of receiving the esteem of others, while step number four is the achievement of self-esteem. You may have noticed that for this idea to work, the steps must be achieved in order. So if your employee is to have self-esteem, they must first receive the esteem of customers and their fellow workers.

To achieve this, we ask several questions. Does the business provide a learning experience where employees can learn more about the products and services offered? Are they given opportunities to make decisions on behalf of the business?

Our favorite example is to ask how many employees have the key to the front door of a business (a business filled with hundreds of thousands of dollars of inventory, fixtures, and equipment) yet are not allowed to make a decision on which there is a dollar value of less than \$50?

The fifth point of the Maslow theory is there has to be the opportunity of giving to others. People in the field of education have noted that many people will learn more when it is presented in a fashion so that the "student" is to take the information and show others how to use it. This technique is referred to as "teach the teacher".

The second area we will observe in our exceptional stores is how the owner/manager/supervisor gives information and instructions to their staff. In many cases, an employee is doomed to failure in their assigned tasks because of the way the instructions were given.

Take a look at these 10 questions the next time you are giving instructions and see if you are guilty of having missed the mark on even one of them. If you have, there is a very good chance you are not going to get the results you desire from that employee.

- #1. Does the employee know why they should be doing the task? The best managers never use, "Because I am the boss", as their reason.
- #2. Does the employee know how to do the job? Expecting the employee to know how is an invitation to disaster. Making sure the employee knows how gives them the opportunity to enjoy success.
- #3. Does the employee know what they are supposed to do? Have you ever noticed how many times the instructions are overly general? (Wait on the customers. Stock the shelves.) Specific instructions go a long way toward ensuring the job being done correctly.
- #4. Does the employee have confidence your way will work? When the subordinate has confidence in their leader, they excel in their efforts.



Getting Extraordinary Results from Ordinary People

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#5. Is there a reward for their success? (Or a penalty for their lack of success?) If there is no response for their failed or successful efforts, then why would the employee make an effort to achieve success?

#6. Does the employee have the necessary skills? Not every employee has the skills to complete every task. If they do not have the skills, there is no way to succeed.

#7. Are you asking the employee to do something you cannot do? Think about your own experiences. When someone whom you believe does not know how to do the job has given you instructions, have you put forth your best efforts?

#8. Do they have enough time and the proper tools? Without enough time, or the proper tools, any task you assign to the employee is doomed to failure. The employee needs enough time, an understanding of the importance of a timely completion, and the necessary tools, so they can provide you with the results you are expecting from them.

#9. Do you check on their progress? Imagine the situation where an employee has been instructed to perform a task that requires several hours of effort. When they are done, you examine their efforts. As you point out how the job was done incorrectly, both of you can tell that the employee was doing the job incorrectly from the start. If the supervisor had given corrective instructions some 30 minutes into the task, hours of wasted effort could have been prevented. Imagine the feelings of the employee the next time they are asked to complete a task.

#10. Have you asked them how they think the job should be done? While it may be your option to decide how to complete a task, they were hired in part because they demonstrated a level of intelligence. Your asking the employee how they think a job should be done shows your respect and interest in their input.

The idea of getting extraordinary results from ordinary people is not new. However, from our discussion, perhaps we have looked at new ways of increasing your ability of developing these people.



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Potato Chips

By Tom Shay

SOUND ADVICE FOR BUSINESS

For years, we all ate potato chips in the same way. The chips came in a plastic bag that had some kind of lining that aided in keeping the chips fresh. Over the years, the only change that occurred with this snack food was that someone found a way to flavor the chips.

Within a short period of time, you could get chips that had the flavor of barbecue, sour cream, pizza, and any number of other tastes as chip manufacturers found a way to create artificial flavorings that could duplicate the original food taste.

As you ate your potato chips, there was always one drawback. As you got to the bottom of the bag, the chips got smaller and smaller until the bottom of the bag was nothing more than tiny pieces that you could more easily eat by using a large spoon instead of your fingers. The bag gave you somewhat of an indication of this with the message, "Bag is sold by weight and not by volume. Some settling may have occurred."

Then one day, another producer of potato chips had a new idea. If the chips were shaped alike and packaged accordingly, you could get the chips into a smaller container, and have less breakage. Today, you know these potato chips as Pringles.

What do potato chips have in common with the pool and spa business? Let's take a look at the sales floor to find a comparison. As you think about the sales floor of some of the other pool and spa supply stores you have visited, you have undoubtedly seen some that have wowed you over. You probably wished that you had a sales floor that was identical to the one you have just seen. You might see a strong similarity between the sales floor and the can of Pringles; neat, orderly, and with little mess.

Likewise, you have seen some sales floors that look a lot like the traditional bags of potato chips; everything just thrown into the building with no specific design. It has been shown that the sales floor that has been arranged like the can of Pringles has many advantages. Among those advantages are, increased sales per square foot, increased average sale, increased margin, and increased impulse sales. These are the things that make cash registers go, "cha-ching" and make bottom lines of financial statements look better.

If the idea of a sales floor that looks more like a can of Pringles than looking like a bag of chips is appealing to you, there are several ways to accomplish this. The first is to take note of chain stores. Undoubtedly, you have been in one where you have seen taped to a counter what looks like a map of a display or a run of fixtures.

This map is the floor plan given to each store to tell their sales staff how to build the display. If you look closely at the map, you will see that it is usually detailed down to each and every square inch. This is done so almost any staff member can execute the building of the display.

If you are the owner or manager of a lesser quantity of stores, you don't have the advantage of someone providing you with this map. You can however create a good looking and great selling sales floor without hiring a store designer and with the help of these ideas.



Potato Chips

By Tom Shay

SOUND ADVICE FOR BUSINESS

Beginning with the front door, think about how often you would expect a customer to visit your sales floor. In season, most people would say once each week. If this is the case, that customer needs to see something different each time they enter. A rack, table, or freestanding display that changes each week builds a sense of excitement and invites the customer to see what else is new.

While we are looking at the front entrance, take a moment to determine what item you would like customers to purchase. Probably, it is something that makes a good margin or sizable dollar contribution to your store's profitability. This item needs to be placed on the right as the customer enters as this is where customer's first look. If you feel the need to place a cash register at the front, do so on the left side.

As we get past the initial impression, this is where we want to create our road map. One of the ways we accomplished this was to create an actual map drawn to scale. The aisles need to be sized so that customers going in opposite directions will not bump into each other. If you have shopping carts, or hand baskets, your aisles need to be even wider to accommodate them as well. Research has shown that customers will not enter an aisle if they cannot easily see a way to make their way through it.

Imagine your aisles becoming an interstate along with some minor highways. Customers will follow the roadway much in the same way they drive - to the right. They will also follow in the direction you lead them if the road is designed correctly. Then the minor highways are your roadways to all of the various sections, and corners of your sales floor.

Speaking of corners, you do not want to ever walk your customers into a corner. When a customer goes to the end of an aisle, they need to have at least two choices when deciding where to go. If their only choice is to turn around and go back, you will find yourself developing "aisle clutter" with customers avoiding the aisle all together.

While we have all utilized end caps to get a customer's attention, think about end caps being in more places than just at the end of a counter. If you have a 40' run of wall fixtures, you can create an end cap anywhere along the wall by adding a floodlight, and painting the backdrop a different color. Think of each end cap as becoming a magnet to draw a customer from one point to another throughout your business.

The last area we want to address is the actual display counter. Again, we want to ask you to think about the product you want to sell. These items need to be displayed at eye level for the average height customer. And all items should be displayed vertically instead of horizontally. Why?

Have you ever had a customer ask if you stock a particular size of chlorine? Only to show the customer that the container they are looking for is on the bottom shelf? This happens because we are trained to look left to right when we are looking at a display; much like you are doing in looking at this article.



Potato Chips

By Tom Shay

SOUND ADVICE FOR BUSINESS

If you are not convinced, try merchandising vertically on just one area of your sales floor. If you are having four facings of a product, instead of having the four side by side, have them arranged top to bottom, and see how the sales of the item which had previously been shown exclusively on the bottom shelf now has a substantial sales increase.

Place add on sale items nearby, as well as related items within arms length of each other. Items that would be considered accessories, or those having very low margins, should have secondary consideration in your selection of placement on your sales floor.

Most sales floors that are very profitable have not been arranged by accident. They bear little resemblance to the bag of potato chips. Instead, the most profitable businesses are arranged like the can of Pringles.



Retailing Math 101

By Tom Shay

SOUND ADVICE FOR BUSINESS

Retailing mathematics might not exactly be the same as the calculus or trigonometry you took in high school or college.

To begin with, it doesn't use all of those funny little signs and give you information about lines and shapes. Probably when you took calculus or trigonometry, you asked yourself if this information was something you would ever use in life.

For anyone who has gone into business - whether it is home based, storefront, commercial or even Internet, Retailing mathematics is something you should be using every day of your life.

If you have yet to have your first day of business, you most definitely need to complete this exercise. For too many folks opening a business only requires using a very simple formula.

They add up the cost of all of the parts of a product, double it, and then expect this is enough to carry them through. Even this calculation is wrong as shown by the Gift Basket Review survey taken in 2000. Looking at the most profitable businesses, they have gone to a multiplier factor of 2.5 times the wholesale cost of each of the components as a starting point. Looking past the cost of inventory and labor, what are the ingredients you should be considering as you work to have a profitable business?

Starting with a blank legal pad, the first group of expenses you need to write down are those associated with occupying a building. Of course, if your business is in your home, your calculation will be different. For those home businesses, you will probably want the guidance of an accountant. But the basis of your calculation will be to determine what percentage of your home the business will occupy.

With that number, you should be able to take that percentage of your mortgage, electric, heating and cooling oil or gas, insurance, taxes, a phone other than your primary residence number, and other related utility bills as a cost of your business.

The accountant will probably explain that the space within your home must be dedicated to the business; clearing off the dining room table to create a basket won't qualify.

For a business that operates in a traditional storefront or even in a business district, your occupancy expenses are much more clearly defined. In addition to those we have already outlined, you may be paying to a landlord a percentage of sales and a monthly property maintenance fee. For expenses that are paid on an annual basis, you will need to divide the expense by 12, or as an alternative divide the expense using the percentage to annual sales as a guide for each month.

The second group of expenses deals with employees. But didn't we say earlier that we were looking at expenses after merchandise and labor costs? Yes, but what we are now looking at are support expenses. The direct labor costs are for the time it took to create the basket. The other costs of labor include the person answering the phone, the sales person whether they are on a sales floor or calling on a potential customer in their office or business.

With this staff, as well as the labor for building the basket, we have withholding, Medicare, and social security taxes. You may also be offering benefits to your staff.



Retailing Math 101

By Tom Shay

SOUND ADVICE FOR BUSINESS

This can include health, dental, life and disability insurance. For some businesses you may have a profit-sharing program, and for many businesses the cost of a paid vacation has to be factored in. Think of the employee earning \$8 an hour. Over the course of 50 weeks, they will work 2,000 hours for a cost of \$16,000. However, as our example person gets a two-week vacation, we are paying another \$640 for their non-productive vacation time.

Now their 2,000 hours are actually costing \$16,640 which becomes an hourly wage of \$8.32. And again not including any of the benefits we have already discussed.

As we continue looking at businesses regardless of their location, there is a sizable miscellaneous group of costs to consider. These include, advertising, office supplies, bank charges, bankcard charges, postage for mailing statements and promotional pieces, accounting and legal fees, the cost of items we have donated as door prizes for groups, expenses related to the delivery of a basket, expenses for a vehicle if we are out making sales calls, chamber of Commerce membership dues, networking organization memberships, travel to Jubilee!, computer supplies and maintenance, an allowance for bad checks and debts, and various supplies.

And just when you thought we had included everything, there is the cost of depreciation of the equipment and income taxes.

What if you are just starting your business and don't have these figures? You will want to get some estimates. With regard to building expenses, the information from the previous occupant of the space you now have can be a great help. With other numbers, this is where an accountant comes in.

Their job is not just to calculate a financial statement from the information you provide; they are instead, to be a counselor and advisor. If the accountant you are talking with cannot do that, it may be time for you to shop around for another accountant.

Once we have collected all of the figures related to your business, you will want to create two business tools. The first is a budget and the second is a cashflow chart.

The budget will look like a profit and loss statement. Each of the numbers instead of being historical will be your estimate of what will be occurring in your business. The cashflow chart takes this information one step further by taking into consideration your checking account as well as the inventory you order and when you pay for it.

Are these two items important? The answer is a solid yes.

Especially when you consider that of all the businesses that fail, over half have a final financial statement that indicates the business is profitable. The business died due to a lack of cash on hand.

There are businesses that have existed that have never taken into consideration the ideas and techniques we have discussed. But considering that the odds are against their success, are you willing to take that gamble?



SOUND ADVICE FOR BUSINESS

Healthy, Wealthy, and Wise

By Tom Shay

"Early to bed, early to rise makes a man healthy, wealthy and wise." This may be a true saying, but it is not all you need to achieve the three goals mentioned above. In the past couple of years, you have been exposed to information suggesting you visit your doctor and dentist for regular checkups. In addition to this bit of advice, we would like to suggest you take this five-point test to check the financial health of your business.

Test #1: Do you understand all the lines of information on your financial sheets? While most owners and managers know what each line of expenses contains and how the gross margin is calculated, all lines of both the income statement and balance sheet are important.

Cost of goods sold, retained earnings, current income, accumulated depreciation and shareholder's equity are some of the lines which too often are not understood or overlooked completely. Each and every line on your financial statement is dependent upon one or more of the other lines; knowing how they work together allows you to be equipped to utilize the one piece of information that measures your success.

Test #2: When will you be looking at your November financials? Many businesses are receiving financials two and three months after the end of the month. If this is the case for you, and an expense was out of line some three months ago, the problem may have continued to grow in the succeeding months to where it may take many more months to correct.

For the business that is looking at its November financials in the first week of December, a problem that first occurred in the past 30 days can be addressed, if not corrected, in the succeeding 30 days.

Test #3: Do you utilize a cashflow chart and update it monthly? A shocking statistic is that 54 percent of the businesses that fail today are profitable, according to their financial statements. Their failure is due to a lack of cash; their assets are tied up in inventory, fixtures, equipment, and other areas where they cannot quickly be converted into cash.

Many business owners and managers are taught to budget. You may even go so far as to create a budget line by line for each item on your income statement for each month of the year. It may show you to be profitable, but it does not indicate if there is cash on hand to sustain the business.

A cashflow chart, usually created with a computer spreadsheet program such as Microsoft Excel, looks somewhat like a budget. It also takes into consideration how much money you start with, when you are paying for inventory, and your purchasing or selling of other assets.

A properly constructed cashflow chart can be compared to having each of your next 12 financial statements on hand today; and with that information, you can make decisions about where you want your business to be. Can you afford to purchase a new computer? Will the expense of a new salesperson be justified by the increase in sales? A cashflow chart allows you to manage by "what-if" scenarios.

Test #4: Do your employees understand financial management? Some of the most progressive retailers this writer has seen actually have financial sheets that they share with their employees. Why would you want to do this? Imagine the results of this scenario being played out in your store.



SOUND ADVICE FOR BUSINESS

Healthy, Wealthy, and Wise (continued)

By Tom Shay

One of your employees is asking for a substantial raise. As you discuss the raise with the employee, you point out that total payroll is already 18 percent of gross sales—that percentage being the industry average for the storefront side of our business.

You show the employee that the added cost of payroll would come entirely from your profits. To get a raise for the employee, you offer three possible solutions. The first is to suggest he or she find a way to increase sales so the 18 percent can grow to include his or her raise.

The second solution is to fire another employee so there are salary dollars available. Of course, the person desiring the raise will have to now do the work of both employees.

Your third suggestion is that he or she find a way to decrease other expenses below their current level and that a part of the expenses savings can now be given to the employee wanting a raise.

Having employees who understand how a financial statement works are equipped to understand how a business operates; and when employees have this understanding, they are more likely to work for the goals of the business.

Test #5: Do you look at several financial ratios on a regular basis? Financial ratios are usually the last thing a retailer wants to look at. While there are more than a dozen ratios you could consider, this is our short list that we suggest you post near your desk to review each time you complete your monthly financials.

Day sales outstanding - For the business that has accounts receivable, this number gives you an idea of how quickly you are collecting the money from your customers. Multiply the total of your receivables by 365, and then divide the answer by your net sales.

If your terms are net 30, and your answer is in the 40 to 45 range, you should be pleased. When the answer gets higher, you need to address the slow payers and get your money back to work for you quicker.

GMROI - This acronym stands for gross margin return on investment and is probably one of the most popular standards of measurement. To calculate the answer, take your gross profit dollars and divide by your average inventory. The answer you would like to have will be 1.5 or higher.

Return on Assets - Just as a money-market fund will promote its rate of return, you can calculate a similar number for your business. Divide the net income from your profit-and-loss statement by the total of your assets. The number you have as an answer gives you an idea how your investment in your business is faring.

Turn Rate - This ratio tells you how quickly you are turning the inventory in your business. Take the total of your sales and divide it by the total of your inventory. While businesses in the grocery industry will have a double-digit number, retailers in this industry will use 3.5 turns as a benchmark for excellence.

With the completion of a medical or dental examination, you are probably told of a couple of areas that need some improvement so as to increase your life expectancy. With the completion of this financial test, hopefully we have confirmed that your business is in excellent health—or perhaps we have alerted you to a couple of areas that need your attention. After all, you do want to be healthy, wealthy, and wise!