Get More Cash Out Of Your Business By Doing THREE Things

Dan Jablons, Retail Smart Guys

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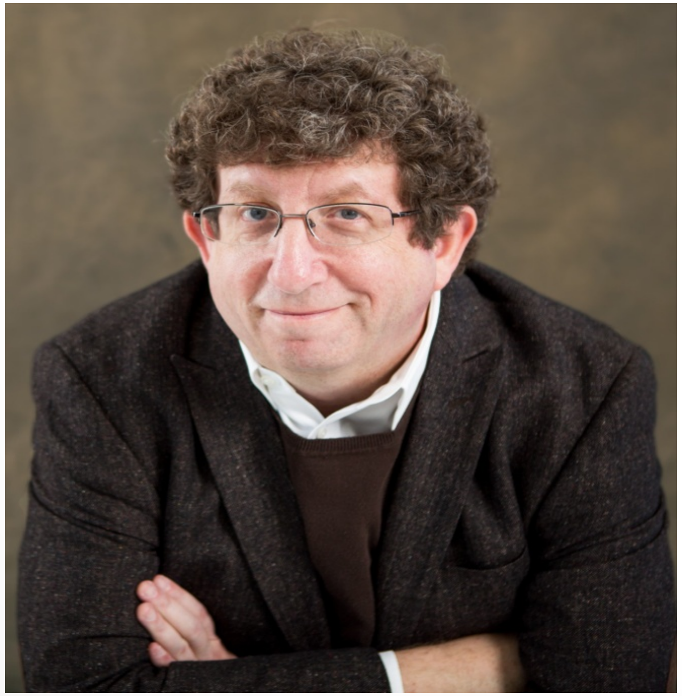
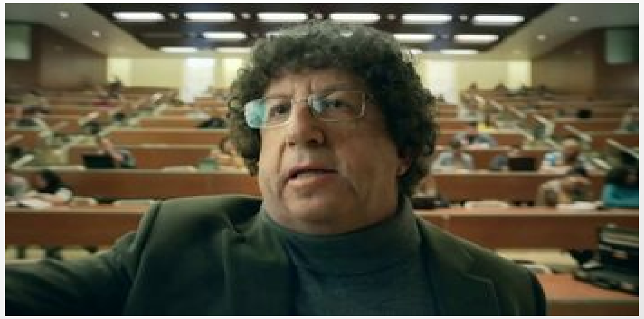
Who is this guy?

Dan Jablons

President | Retail Smart Guys, Inc.



- Over 40 years of retail experience
- Specialties include cash flow management, merchandising, growth via planning and market share
- You've seen him on TV!



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Retail is Detail

Acres of Diamonds by Russell Conwell

“dig in your own backyard”

Your diamonds are locked inside the details of your business. Those details unlock the mystery of your potential.

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Retail is Detail

This is not THEORY.

These are examples from REAL STORES.

These are THEIR NUMBERS and THEIR RESULTS.

Willingness to look at key metrics

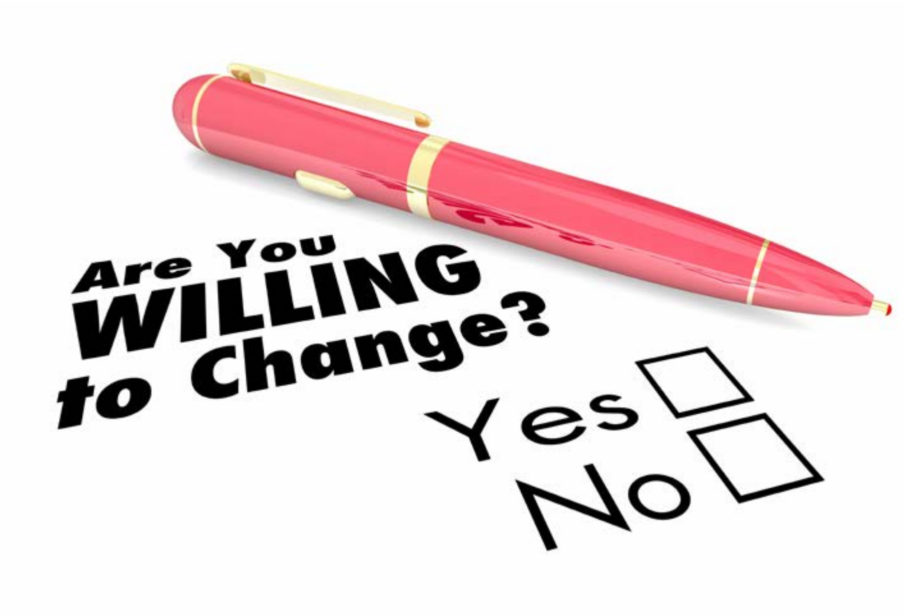
If you don't measure, you cannot improve.

Willingness to change

If you always do what you have always done, you will get less.

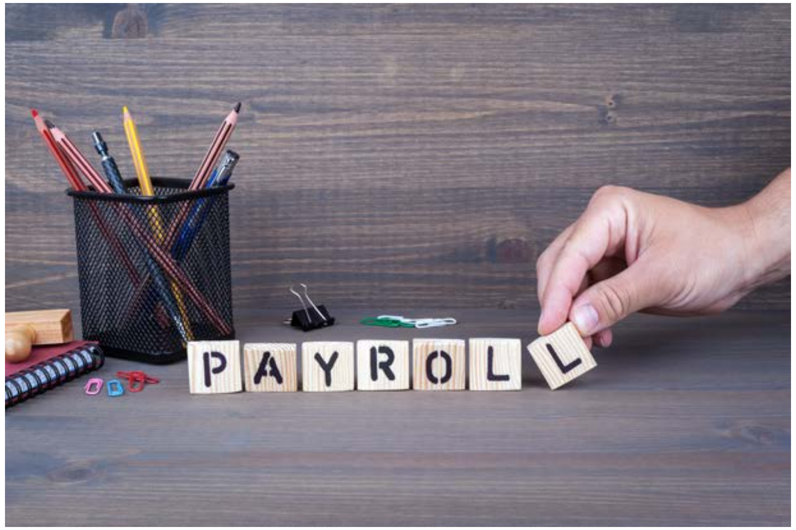
Willingness to act, make a decision and even fail

Failure is an event not a termination.



SELLING COST

1st Tip – SELLING COST



Calculating selling cost %

Total payroll/Total net revenue

- Payroll cost for employee A is $1,700 for January
- Revenue achieved for employee A is $12,500
- 1,700/12,500 = 13.6%

By sales associate/ by total store

Weekly , monthly, annually.

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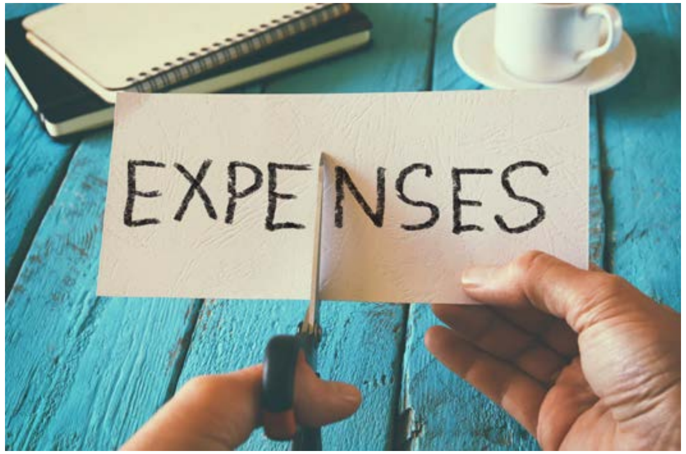
1st Tip – SELLING COST

Total Expenses are 42% of Sales

- Fixed expenses are 23% of Sales
- Variable expenses are 19% of Sales
- Selling payroll is 12% of Sales



By measuring sales and lowering selling cost to 10%, your expenses go from 42% to 40%.

A 2% decrease in your expenses increases your profit by 3.4%

1st Tip – SELLING COST

	Original Situation	Improved Situation
Revenue	$ 750,616	$ 750,616
Fixed Expenses	$ 172,493	$ 172,493
Variable Expenses	$ 142,577	$ 127,498
Profit before COGS	$ 435,546	$ 450,625
		$ 15,079 3.4%

1st Tip – SELLING COST

BONUS

ONE STORE DID EVEN MORE!

Productivity bonus

Increased productivity generates increased revenue.

- Revenue increases by 5%
- Selling costs remain the same at 10%
- Fixed expenses remain the same
- Expenses as a % of Sales fall

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1st Tip – SELLING COST

	Current	10% Variable decrease	5% revenue increase
Revenue	$ 750,616	$ 750,616	$788,147
Fixed Expenses	$ 172,493	$ 172,493	$172,493
Variable Expenses	$ 142,577	$ 127,498	$133,878
profit before COGS	$ 435,546	$ 450,626	$481,776
Change in Profit		**$15,079**	**$46,230**
Profit % increase		**3.4%**	**10.6**%

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MARKDOWNS

2nd Tip – MARKDOWNS

Markdowns are one of your top 3 expenses.

Payroll 14-18%

Markdowns 12-20%

Rent 6-10%

Managing and understanding markdowns is a critical component of cash flow!

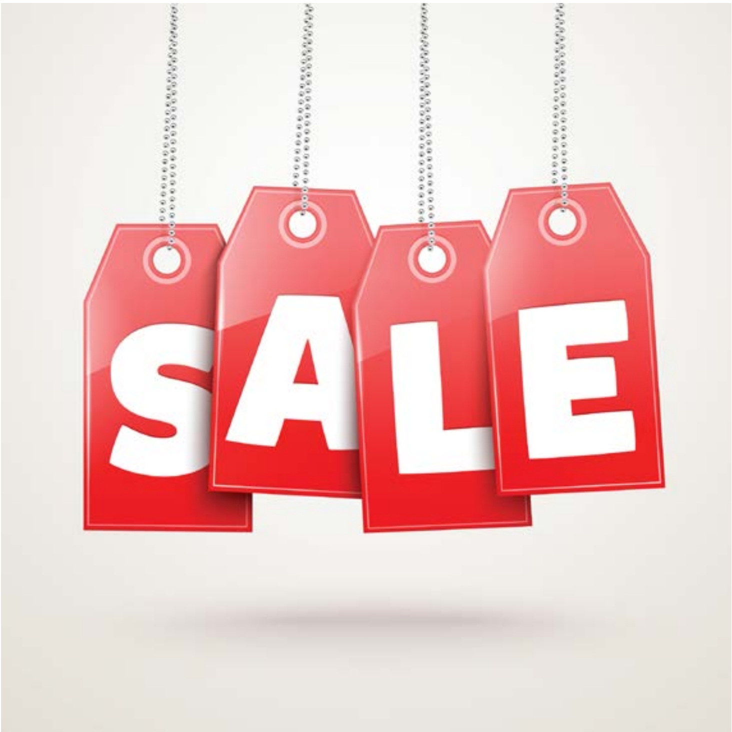
2nd Tip – MARKDOWNS

Based on a 55% IMU	**Original Situation**	**Improved Situation**
Revenue	$ 749,694	$ 749,694
Markdown %	21%	19%
Markdown $	$ 157,436	$ 142,442
Gross profit	45.5%	46.5%
Cash Generated	$ 341,261	$ 348,748
	Cash Improvement	**$7,487**
		2.2%

2nd Tip – MARKDOWNS

Higher than normal Markdowns are caused by:

- Receipt of late goods
- Over buying beyond demand
- Inadequate classification structure
- Lack of measurement and poor assortment planning
- Poor sales forecast driving the merchandise plan
- Poor buys
- Too broad of an assortment
- Not reacting early to poor sellers
- Poor selling
- Lack of a markdown strategy
- Bad flow of goods
  - Over front loading
  - Under buying at the beginning of the season



Every time you sell an extra item, you avoid a future markdown.

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PURCHASES

3rd Tip – PURCHASES

The single greatest cost to a retailer.

Key Components

- Timing - flow of inventory
- Amount - to satisfy demand profitably

Small changes can have a huge impact on cash and revenue growth.

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3rd Tip – PURCHASES

Revenue	$ 751,666	$ 751,666
Purchases %	55%	53%
Purchases Dollars	$ 413,416	$ 398,383
	$ 338,250	$ 353,283
		$ 15,033
		3.6%

3rd Tip – PURCHASES

- Classes with demand need to be fed
- Classes not growing need to be maintained
- Classes dropping need repair and care in planning

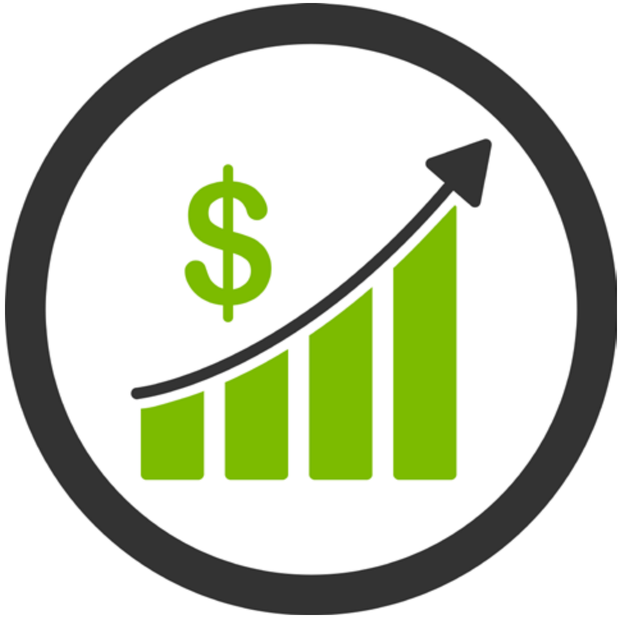
Sweeping cuts can destroy performing classes.

Stopping the fresh flow of inventory can paralyze.

Knee jerk reactions without thoroughly drilling down to the details can have long term consequences.

3rd Tip – PURCHASES

Sales Forecasting



1. It is NOT “Last Year +/- %”
2. You must consider CURRENT trends.
3. Good forecasts include industry trends as well.
4. Forecasts should be by month, by location.
5. Monitor results.

3rd Tip – PURCHASES

Inventory Planning

1. The key is the **Stock-To-Sales Ratio**.
2. Your plan should also include an assortment plan.
   a) Vendor Assortment
   b) Color Assortment
   c) Basics/ Fashion
3. Flow your inventory so that there is something new every month.
4. Monitor results.

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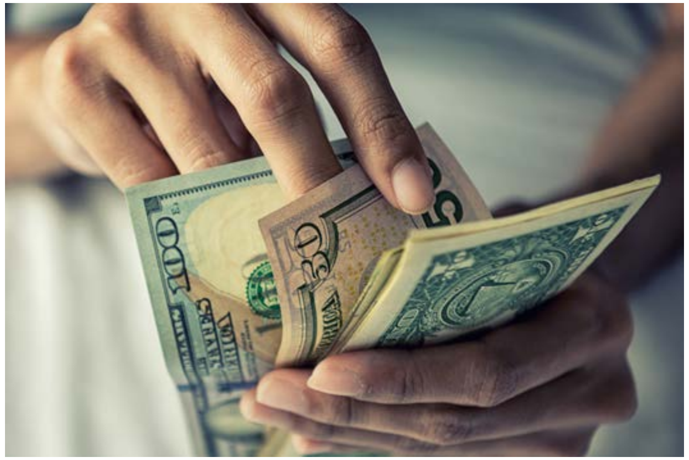
ADDING IT UP

Three Tweaks Added Up!



1. Selling cost improvement 2% $15,079
2. Markdown improvement 2% $7,487
3. Purchase Improvement 2% $15,033

Total cash increase on the <u>exact same volume</u>

$37,599

Diamonds are in your own backyard!

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LINGERING THOUGHTS

A Few More Tips

1. Run more reports than just sales reports from your POS.
2. Look at sales vs. receipts and look at CASH MARGIN.
3. Cash Margin should be how you evaluate your vendors (develop a Vendor Scorecard).
4. Figure out where you have old inventory that can become cash.
5. Expense control, while important, is not a long term strategy, and is not a plan for growth.

Retail is Detail

"We are taxed twice as much by our idleness, three times as much by our pride, and four times as much by our folly."

~Ben Franklin

"All good ideas degenerate into work."

~Peter Drucker

Questions?

Email: dan@RetailSmartGuys.com

Handouts are available at:
FTDi.com/FTDUniversity/WebinarMaterials

Webinar will be available to view at:
YouTube.com/FTDMercuryNetwork

A Freebie for You!

Free Inventory/Cash Flow Analysis

We’ll tell you how to make sure to cash flow for the balance of 2020!

Email: dan@RetailSmartGuys.com
Call: 818-720-2585


Thank you!
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