DollarDays

DollarDays International, Inc.
7575 East Redfield Road
Suite 201
Scottsdale, AZ 85260
Phone: (480) 922-8155
Fax: (480) 922-3764

Basics of Retail Math,

Retailing is all about change, because consumers change
and so do their tastes.
If you don't change, you don't grow.
—MARVIN TRAUB, former CEO of Bloomingdale's

FINANCIAL FREEDOM. Setting your own schedule. Being your own boss. Take your pick. No matter what your collateral reasons for opening a retail store, the numbers are obviously what drive your decision about whether or not to invest the large and intense amount of time and effort it takes to build a business you can call your own.

If you're anything like me, seeing a lot of numbers all at once can be intimidating. Initially, that is. However, as the saying goes, there is "strength in numbers." In fact, having a basic understanding of how to interpret these numbers makes many decisions that seem gray at first quite black and white.

This chapter touches on the meaning of the basic numbers you'll encounter in the retail business. If you are coming from another industry, such as manufacturing or real estate, the way retailers figure their numbers may look a little strange to you. Most other industries deal with markups, the profit as a percentage of cost; retailers deal in margins, profit as a percentage of retail selling price.

Retailers typically keep a two-column ledger in order to fully understand what is going on with their business. In the left column, they keep a running record of the cost of the merchandise, the landed price including the cost of goods and shipping costs. In the right column, they keep a running record of the retail value of the merchandise, the sum of the retail price tickets on all the items in the store.

This method lets you keep track of the markdowns in the right column so you can see at a glance the profitability of an item, department, and store. Also, this approach shows you the profit or loss in the month it occurs, and resets the margin for the new month, giving you a true month-to-month comparison. Make sure that any accountant you involve with your business fully understands retail accounting. If not, you could truly be at a loss.

Under the retail methodology, the selling price of an item is

always 100%. Therefore, both **cost** (the amount you pay for an item) and **markup** (the amount by which you increase the price to cover your expenses and profit) must equal 100%.
For instance, if you paid $0.55 for a spatula and sold it for $1.00, your gross profit *margin* would be $0.45 (45%) and your cost of goods would be $0.55 (55%). (In other industries, the $0.45 profit might be expressed as a percentage of cost, giving you a *markup* of about 82%.)

Health of Your Business

To determine how well or (perish the thought) how badly their business is doing, retailers routinely compare each month with the same month a year prior. This is because, given the large seasonal swings almost all retailers experience, there is little meaning in comparing this month's sales with last month's. So, if this February you did $110,000 in sales and last February you did $100,000, your business would be 10% ahead of last year. And, if this continues for a while, you can be happy with your trend. Of course, if the numbers were reversed and you did $100,000 this year and $110,000 last, you would be 9% behind, and you would have to take prompt remedial action.
In looking at these figures, you must exclude new stores or departments you opened. To determine how healthy your business is, the comparison between years must be apples to apples, that is, same store performance.

Establishing Initial Margin

To discuss the retail concept of margin it is important to have a few definitions under our belts first. For starters:
• **Cost.** *Cost of Goods (COG)* is what you pay the vendor for products.
• **Retail.** *Selling Price of Merchandise* is what your customers pay the store for these goods.
• **Initial Margin $.** *Initial Margin* is the difference between retail and cost (Retail – Cost = IM$), expressed as a percentage of retail.
So, if you buy a shirt for $3 and sell it for $7, your initial margin is $4 or 59.1%. If you (like me) didn't pay attention in ninth grade algebra, let me give you a quick update. (If you, unlike me, were an algebraic whiz kid, please skip this section.)
In retailing there are three ingredients needed to figure out what your margin is and what the margin should be. If you know two out of three, calculate the third. Then, you can decide whether or not what you have to pay fits into your business plan. Let's run through a few examples.
• **When cost and retail are known (and you want to find out what your margin percentage will be):**
Retail – Cost = Initial Margin %
retail
Example: If you buy a lamp for $6 and it retails for $10,
Initial margin % is 10 – 6 = 4 = 40%
10 10
• **When cost and margin percentage are known (and you want to figure out what the retail should be):**
retail = cost
100% – margin %*
If you know you want to maintain a margin of 55% on the children's clothing and a vendor offers you girls' pants for $5, the retail

price you need to charge would be
$5 = $5 = $11.11
100% – 55% 45%
• **When retail and margin percentage are known and you want to find out what you can afford to pay the vendor, the calculation is**
Cost = Retail (100% – margin %)
For your white sale event, you need full sheets to retail for $6.88 and you know that you want to work on a 39% margin. What can you afford to pay for each sheet? Cost is
$6.88 (100% – 39% = 61%) = $4.20

Inventory Turn

Turnover of inventory, or **turn**, is the calculation of how many times you sell and replenish the merchandise in your store over the course of a year. To figure out your turn, divide your annual sales by your average inven-

*100% – margin percentage is also known as the cost percentage or the **cost complement** because adding this cost percentage to the margin percentage should always equal 100%.

tory (at retail). For instance, if your sales are $400,000 for the year and your average retail is $100,000, your turn is 4. The more times you can turn over your inventory, the better it is because:

• You will have less older merchandise.
• You will have more opportunities to buy, which should lead to better buys.
• The inventory will be more up-to-date.
• Less money will be tied up in inventory.
• You'll make more profit on your invested capital. (If you need $100,000 of inventory—tied up capital—to feed $400,000 worth of sales and profits, you're obviously better off than if you need double that inventory for the same results.)

Stock to sales ratio is the monthly view of turnover. It is the amount of merchandise in the store at the beginning of a given month divided by the amount of sales of merchandise for the month. It provides you with a quick view on how well you manage the inventory. For instance, if you have inventory of $120,000 and $30,000 in sales for the month, then your stock to sales ratio is four to one. This means that it will take four months of selling at your current rate to sell through the average monthly inventory.

Knowing that there are twelve months in a year, this means you are turning your goods at the rate of three times a year (twelve months divided by a four stock-to-sales ratio). However, if your (realistic) goal is to achieve a stock-to-sales ratio of three to one, that is a turn of four—you are overstocking and need to find ways to operate on less inventory or to sell more!

Your ultimate goal should always be to develop the highest level of sales from the smallest possible inventory. But be careful what you wish for. If you try to push your turns too high, you may run out of merchandise that your customers want, and they may go elsewhere.

The number of turns for which you should aim varies by type of retailer. Thus, before you set your target, you should find out what is the industry norm. Actually, this is another reason to belong to the trade association most related to your type of retail store. Such organizations can give you the average guidelines for turn and stock to sales ratios for different seasons that should help you keep the right amount of inventory on hand, particularly through your first few years in business.

You should review your turnover ratio every week. The higher the turnover, the stronger the retail business will be. With a high turnover, you have less money invested in the inventory at any given time and a lower risk of carrying products your customers do not want to buy. You get higher sales from the same amount of space, have fresher goods in the store, and can always feature new items to tempt your customers. There's nothing more disappointing to a repeat customer than seeing nothing but the same old stuff.

While turn rates are innately different between different categories of retail, within each category there are two basic, and quite different, strategies that you must decide upon when setting your turnover objectives:

1. High margin, high price, and low turnover
2. Low margin, low price, and high turnover

A low turnover item must give you a high margin in order to pay the rent for sitting on your shelf for a long time. In contrast, a high turnover item obviously has to pay less rent, and therefore can make a lower margin.

Strategically, you can mix these two turnover concepts as long as one dominates the other so you are giving a clear message to the customers. For instance, in your toy department, you may price Barbie at cost to create a high turn, but price her accessories higher to create more margin, expecting that customers who buy Barbie because of the price will pick up the other items because no little girl can exist without at least three new outfits for her doll!

Obviously, you want to turn all your merchandise as quickly as possible. The trick is to recognize that you may have to stock low turnover items as a service to your customers to induce them to come to your store and buy the more popular items.

For example, a well-known cosmetic company's president was delving through his firm's lipstick sales and discovered that, of the ninety-six shades they marketed, four did 81% of the business, ten did 94% of the business, and fifteen did 98% of the business. His first thought was to discontinue all but the fast-selling four. Fortunately for him, wiser heads prevailed and the company kept fifteen shades and discontinued the rest. "We'll save so much inventory by eliminating eighty-one shades, we'll increase our profits even if we lose the whole two percent of sales that are in the discontinued shades," the president explained. "In any case, most of the women buying those shades will probably switch to the ones we're keeping."

The result? Sales fell to about half. A large majority of women were buying the same fifteen shades, but they wanted to feel they had a huge choice. They were offended to think that the company was, in effect, deciding the shade for them.

The president not only reinstated the missing shades, he increased their number to 125. The result? Sales grew to about 30% more than the original level—but women still almost exclusively bought the same fifteen shades!

Yes, providing a good selection is often part of pleasing your customers. But it has a cost. **Slow Turn** causes:

• Slow-moving merchandise to clog your shelves and make it harder for customers to find the goods they want
• Excessive accumulation of old styles, odd sizes, and extreme colors

• Increased expenses
• Deeper markdowns and the need to run them more often

The challenge is to balance the inventory level against the service level you want to provide your customers. As I said, it's a balancing act. Too high a turn will produce too many out-of-stock situations and hence lost sales and disgruntled, often non-returning, customers. Too low a turnover could put you out of business.

Determining How Much Margin to Go After

Remember the retailer's creed: Always strive to squeeze as much margin as possible. The more margin you can extract from one item, the more money you have to cut prices (and margins) on the products and deals that drive traffic through your store. However, when trying to raise margins, you must bear in mind what the consumer is willing to pay *in your store environment.* If you are a discount store, you cannot expect to make the same margin the department store down the street makes on the same item. In your store, your customers are only in the mood for bargains.

In general, margin decisions should be based on:

• **Competitors' retail.** If an item is carried throughout your trading area and it's an item you cannot do without, you must decide if you are going to be parity priced with everyone else or have the lowest price in town. Having the lowest price will hurt your overall margin, but it may increase turn and build customer traffic.
• **Last year's sales on this item or a similar product.** Once you have a history of an item, you can determine how price-sensitive it is and if you have room to get more margin.
• **Planned turnover of an item.** If you expect sales to be limited and you're carrying the item only as a convenience for the customers, take the extra margin. I always thought the president of the cosmetics company I referred to earlier should have up-priced all the colors that hardly sold and called them "premium shades"! Not only would he have improved his margins, but I bet he would have sold more of those shades. Cosmetics buyers are always looking for something "exclusive."
• **Wholesale costs.** Be sure to shop around among wholesalers (if you are not dealing directly with the manufacturer) to see if you can reduce the price you are paying. Even a few pennies saved can accumulate into good margin gains at the end of the year. Most retailers make a pre-tax profit of between 2% and 8% of sales; only in rare cases do their pretax profits exceed 10%.

Let's assume that your pre-tax profit is 5% of sales. Now, if you can cut the cost of your purchases so your margin increases by 2%, for example, by paying $6.00 for an item you sell for $10.00 instead of paying $6.25, that extra $0.25 drops to your bottom line. That means that your pre-tax profit increases from $0.50 to $0.75—a whopping 50% increase in your profits!

If you can make a 2.5% improvement on all the cost of all merchandise you sell, and your annual sales are $1,000,000, then your pre-tax profit would rise from $50,000 to $75,000. Not bad! Certainly worth pushing your suppliers to give you some price breaks. Because there are no additional expenses, that extra $0.25 drops to your bottom line and you make $0.50 for every $10.00 of merchandise you sell.

• **Manufacturers suggested retail.** Although this is only a guideline, it gives you a sense of the worth of products. If you are a discounter, this also allows you to prove to your customers how much you have cut your price.

• **Handling and selling costs.** Products can vary dramatically in what they cost to sell. Some products (like glassware) break easily so customers or sales people are likely to damage a certain percentage of the stock. Certain goods have a tendency to disappear because of shoplifting (electronics). Others are extremely heavy or awkward to move from the warehouse to the selling floor, so the freight and handling costs may be high. Some may be shipped from across the street while others may be coming from across the country, so transportation costs need to be considered. Some goods may come in pre-ticketed while others require a lot of handling and ticketing in the store, adding to your cost. Some goods tend to have a high return rate. All these costs need to be factored into the product's retail price. A brittle, faddy, easily stolen article with a 60% margin may actually be less profitable than a solid "evergreen" product with a 40% margin.

• **Nature of the goods.** If you are dealing in fad- or fashion-oriented merchandise (which includes everything from fashions themselves to cosmetics to toys to novelties that come and go—remember the Pet Rock?), know what an item's likely shelf life is. How will the manufacturer help with markdowns? These, too, are factors you need to consider when thinking through how to price merchandise and how much initial margin to achieve.

• **Correlation among departments.** For instance, infant clothing should not be selling higher than boys and girls clothing.

• **Demand and supply of goods.** If you have the exclusive distribution of a hot item, you can usually squeeze out additional margin. If there is a high demand but short supply, and you find there is little price resistance for an item, you can get additional margin there as well.

How to Increase Your Margin

Obviously, the question here becomes, "How do I increase my margin?" An additional question must be, "How do I increase my margin while still keeping my customers happy and therefore my sales rising?" Relax. There are several different tactics you can use to help increase your margin while at the same time not changing the customer's experience in the store:

Import Merchandise

It sounds complicated at first glance. However, importing merchandise can take on several different phases as your store grows. You may want to start off small, dealing with an importer using his label on the products. Once you reach a certain volume, however, you may be able to bring in your own private label products at considerably lower cost. In addition to saving money, here are some reasons to look into importing:

1. **No middle man.** If you are dealing with an importer directly or eventually importing your own products, you have eliminated the wholesaler or distributor from whom you were buying the goods. Thus, you have added their margin to your own.
2. **Control.** Once you establish a personal relationship with the overseas manufacturer, you may better control the quality, quantity, and timeliness of the merchandise you are buying.
3. **Exclusivity.** By importing a product featuring your name (and, possibly, your specifications), you can display an item that no competitor

carries. That means you can sell it for whatever the market will bear without having to worry too much about what your competitors are doing.

4. **Competitive Retail.** You can bring in a high quality, private label item to compete effectively with a higher-priced, branded product carried by your competitors. In this way, you may be able to enhance your low price reputation while still maintaining a comfortable margin.

Cash Discounts

Vendors are generally forced to extend credit. However, because cash is king to them, they often encourage you to pay before the due date by offering you a cash discount for early payment or a payment in advance of a specific date. Among the more common cash discounts are:

1. **3/10 EOM.** A discount of 3% if the invoice is paid within ten days from the end of the month.
2. **2/10 Net 30.** A discount of 2% if the invoice is paid within ten days from the date it is issued. Ten is the number of days the rate is available. Thirty is the number of days within which the invoice must be paid.
3. **3/10 ROG:** A discount of 3% if the invoice is paid within ten days of receipt of goods.

Delivery Terms

Delivery terms indicate when and where the title of the merchandise passes from the seller to the buyer. That is the time and place at which your risk of ownership begins. From that time and place, you own the goods and you pay for insurance and transportation. Therefore, you can save money by delaying the point at which you actually take possession of the merchandise. Two common delivery terms are:

1. **FOB Factory.** Your store owns the goods as soon as the carrier picks the shipment up at the factory. That means you pay the freight from there.
2. **FOB Warehouse or Store.** In this case, because the seller owns the goods until they arrive at your location, the seller pays freight, insurance, etc.

Dating

Dating extends the time by which you have to pay for merchandise. As the saying goes, “Time is money.” Dating is valuable for two reasons. The first reason is the interest you save on the money that you keep under your control for longer. This value depends on the prevailing rate at which you can borrow money. For instance, if interest rates are 12% per annum (as they were some years ago), then adding an additional month before you have to pay is worth 1% of the money you owe. If interest rates are 6%, that translates into a half percent gain each month. Always ask for additional dating.

The second reason, and often the more determinant one, is that you are likely to find that, like most retailers, you are chronically short of cash. This is not necessarily unhealthy (although it is uncomfortable) because there is a good reason for it.

If your business is growing (as you hope and intend that it will), you need more inventory. Even if your turn is a very impressive six times a year, in the short run you are still putting out more cash than you are collecting—six times a year turn means you have to buy two months of extra inventory to service your growth. Typically, you have to pay for the extra inventory in one month. Of course, you'll get your money back in time, plus the profit on the extra volume, but you'll be strapped until then. Dating helps overcome this problem. Fortunately, it also helps your supplier because you can buy, display, and sell more of his merchandise. Dating is always helpful, but there are occasion when you have a particularly strong argument to ask for it. Two such occasions are:

1. **Opening a new store.** The goods will be sitting in a store with no chance of selling or turning until the store opens, usually for thirty days.
2. **Shipping to a warehouse instead of a store.** The store loses the turnaround time it takes to get goods out of the warehouse. Goods could sit in a warehouse for thirty days or more before moving to the store.

Markdowns

As the name implies, to mark something down means to reduce the original retail price. Markdowns are taken for three rather different sets of reasons:

1. To speed the sale of slow moving products; to clear your inventory of odd sizes, colors, and styles, and to encourage the sale of soiled or damaged goods
2. To maintain price competition with other stores
3. To create the excitement of a special sale (the "happiest" of the three reasons because, while you'll still lower your margins, you'll boost your sales)

Other Retail Practices Used to Change Prices

Since the price you charge your customers will always affect your bottom line, you can never overestimate or underestimate the importance of price. Here are some other retail practices sometimes used to change prices:

- **Additional Mark-Up.** As the name implies, this practice changes the price upward. It is mostly used in one of the following occasions:
  – A special sale is run at a marked down price, then the price is marked up to its previous level after the sale.
  – A vendor increases the price on the next shipment of a certain item. Because the competition will be forced to increase their prices, those items already in your store are marked up.
- **Mark Up Cancellation.** When you introduce a new item into your store, you may initially mark it up in order to establish a high price. Then, once that value is established, you may cancel the additional mark up and reduce the merchandise for a special sale. To some extent, you may be able to use the extra margin you earn when you first bring the item in (and it's still new and exciting enough to attract customers in spite of its higher price) to help finance the lower margin sale you run subsequently.

Open to Buy

The purpose of an Open to Buy, or OTB, system is to tell you exactly how much merchandise you must purchase to satisfy the amount of inventory you have budgeted for a specified period of time, usually one month.

The simplified way of looking at OTB is:

Planned end-of-month (EOM) inventory for March $100,000

Plus planned sales for March +$40,000

Plus planned Markdowns for March +$ 2,000
Minus merchandise on order and due to arrive in March –$15,000
Minus BOM (beginning of month) inventory for March –$90,000
Open to Buy $37,000

Before you ever commit to buying product, you must have your OTB plan in front of you. That way, you'll know *when* you need (and can afford) to buy new merchandise. You may not have the money to bring it in during March, but with your plan in front of you, you'll be able to see that there is room during the first week of April. Without your OTB plan, you may inadvertently overextend yourself. You may be the best buyer in the world, but if you do not have the money to pay for goods, you won't last long in retailing.

The only way to stay on top of this crucial facet of the business is to have a plan. The first step in developing this plan is to project your sales *by month* for the first year. Of course, this is a moving target, so you need to re-project them, or make sure your prior projection is still on target, at the start of every month.

The second step in your planning is to establish the turn of your inventory so you know how much inventory you will need at the start of each month to feed your projected sales. Once you know your sales and turn, you can quickly calculate your OTB to see how much to purchase each month. If, during the year, you are trending up or down in sales, OTB can easily be adjusted to meet those specific needs. Like all of the retail math tools we're discussing here, look at this OTB as a tool for success, not something that will get in your way.

Retail Method of Inventory, Or:

Stopping Shrinkage

Shortages, also called *shrinkage of inventory* or just *shrinkage*, can cause a store to go out of business. Fast. That is why it is important to have procedures in place to keep track of everything happening in the store, from receipt of goods to final sale. There are two definitions of inventory:

1. **Physical inventory.** This is the counting of the stock that is actually on hand.
2. **Book inventory.** This is the record of what *should* be on hand. To derive the book inventory, begin with the starting inventory (either from store opening or the results of last year's physical inventory). Add all purchases, all returns that are in saleable condition, and any makegoods the vendor may have provided for substandard merchandise.

Subtract all sales and the amount of any markdowns that were below the price you paid for the goods.

Shrinkage, or overage, is the difference between the physical inventory and the book inventory. The only cause for an overage is a booking error that should be avoided by double-checking everything. Some shrinkage is inevitable, and you need to plan for it. It represents the loss of merchandise for reasons that cannot be precisely specified. Those reasons include:

• Vendor mistakes or fraud. Sometime, containers don't include the full count of goods.
• Employee theft. This includes outright theft for profit (e.g., letting a few cases "fall off the back of a truck"), pilfering merchandise for personal use (taking home a box of detergent), and using store merchandise for legitimate reasons but without paying for it (a store clerk who needs a

pencil opens a pack of a dozen and tosses the rest).

• External theft. The most frequent method of external theft is shoplifting. More rarely, theft from your warehouses may occur.

• Clerical mistakes and bookkeeping errors.

• Unrecorded markdowns and allowances. These result in the quantity of product sold for the dollar volume recorded actually being greater than the recorded amount. For example, if you mark down a $10.00 item to $5.00 but fail to note the markdown on your books, selling $100.00 worth of that item will sell twenty items but only show ten as having sold. The missing ten items will show up as inventory shrinkage.

• Unrecorded breakage.

How to Minimize Shrinkage

Some shrinkage may be unavoidable, but a majority of the loss is preventable. Whether the issue is sloppy record-keeping or neighborhood hooligans taking a "five-finger discount," take the following steps to minimize shortages:

• Record merchandise as soon as it arrives.

• Properly mark, price, and identify merchandise before moving it to the selling floor.

• Record all price changes.

• Record each transaction.

• Change records before transferring goods or returning them to the vendor.

• Take precaution against theft, as discussed in the following sections.

Shrinkage from all causes has become a bigger problem than ever, particularly for first-time retail business owners for whom paperwork can easily become an overwhelming chore. In fact, the problem has become so prevalent that a 2% loss in shrinkage is a standard of the industry today.

As discussed earlier, a positive change in the cost of goods has a huge impact on your bottom line. Unfortunately, shrinkage has exactly the same effect—in reverse! In addition to keeping careful records, there are several things you can do to curb shrinkage.

Employee Theft

Your employees should be the last people to steal from you. After all, you're the one signing their checks! Unfortunately, the opposite is true: *most* employees steal from their employers.

The incidence of employee theft is high in retailing. Employees have greater access to a wide range of consumer goods that they either desire for themselves or know they can resell on the black market.

Moreover, employees often view what they take as trivial and don't consider it stealing. "So, I ate a muffin without paying for it; I was hungry."

The office employee's equivalent is taking home some ballpoint pens and pads of paper. However, trivial or not, these thefts add up, and their financial impact goes way beyond the items stolen because it reduces your store's productivity, lowers turnover, inhibits hiring, and makes your store less viable.

In addition to casual pilfering, you may well face planned thievery, the willful theft of merchandise, supplies, or cash. Conspiracy with shoplifters or delivery persons is also common.

Shoplifting

Shoplifting is a major problem, especially of smaller, easily hidden items in general merchandise retailers, and of expensive items in larger stores.

While most shoplifters simply try to slip some easily hidden items into their pockets or bags, some shoplifters are more sophisticated. To give you some idea of how tricky they can be, one of their favorite tricks works like this: The criminal legally purchases an expensive article of clothing or an electronic device, takes it out of the store, removes the tags, leaves the item outside, and returns to the store with the tags and the receipt. Back inside, the thief picks out an identical item, takes it to the dressing room or some quiet corner of the store, and removes the tags. Next, he or she takes the item, without the tags, to the return desk, hands it and the receipt and tags from the legitimately purchased item to the harried clerk, and receives a refund. Unless a store security person actually catches the thief removing the tags, it's hard to prove that the second item is not the first one. Even if each item is numbered sequentially so the serial number on the item does not match the receipt (something the clerk at the return desk is unlikely to notice) it is difficult to use that as proof of a scam when the thief can claim that the serial number was incorrectly recorded on the item. Some thieves even have the gall to go to another store in the same chain and return the first item, claiming they lost the tags. Others sell the items to a fence.

Strengthening Store Security

A secure store is a store that is experiencing less shrinkage than its competitors. Security may be costly, but so is shrinkage. Often the mere appearance of security, to both your customers and your employees, is enough to do the trick. Here are some timely tips for strengthening your store's security:

1. Equip the store with a security alarm system hooked up to a central service company. Give each employee his or her own code so you can monitor who comes and goes.
2. Use locked trash dumpsters to decrease the risk of merchandise being thrown into the dumpster and retrieved later.
3. Do not permit personnel to park near loading docks or exit doors. A longer walk to stash or transport items can be a real deterrent to employee theft.
4. Strictly enforce inventory control and tracking procedures.
5. Follow up on all references when hiring any new employee.
6. Implement an anonymous tip program that motivates employees to report theft, drug abuse, and other business abuses by both coworkers and outsiders.
7. Keep a close tab on customers who spend a lot of time in your store. The closer you watch, the less likely a shoplifter is to target your store.
8. Place observation cameras at strategic locations. As long as the red lights blink, they can be fake cameras. One fast-food chain I know has three dummy cameras that appear to be hidden but are easily observed by employees when they are peering down at the cash register. They are inexpensive because they don't work! However, the store also has one real camera that is very well hidden. Employees who decide to raid the cash register naturally turn away from the three cameras they think are observing them, shielding their misdeeds with their bodies. What they don't realize is that they have turned directly to face the working, well-hidden camera. They are surprised when, a week or two later, they are laid off without explanation. The company never actually accuses them of stealing; if it did, it would have to reveal the presence

of the hidden camera, and then the game would be over.

Parting Words

As we have seen throughout this chapter, retail is, indeed, a numbers game. Here we have provided you with the basics of retail math. Still, they are only the basics. Along the way, you will encounter nuances of retail numbers that will only add to your experience in this competitive, thriving, and ultimately rewarding field. I hope that, like the rest of the chapters in the book, this chapter was interactive. In other words, don't be a passive reader—take what I'm offering and apply it to your own situation, either today or tomorrow. Or next year.

Knowledge is the key to success. Knowing the numbers before you start your retailing adventure is vital to your success. Certainly there is a lot to learn, but know this: Understanding the basics will help you fine tune the rest and, in the meantime, will keep you alive and well, the latest addition to the thriving retail industry.