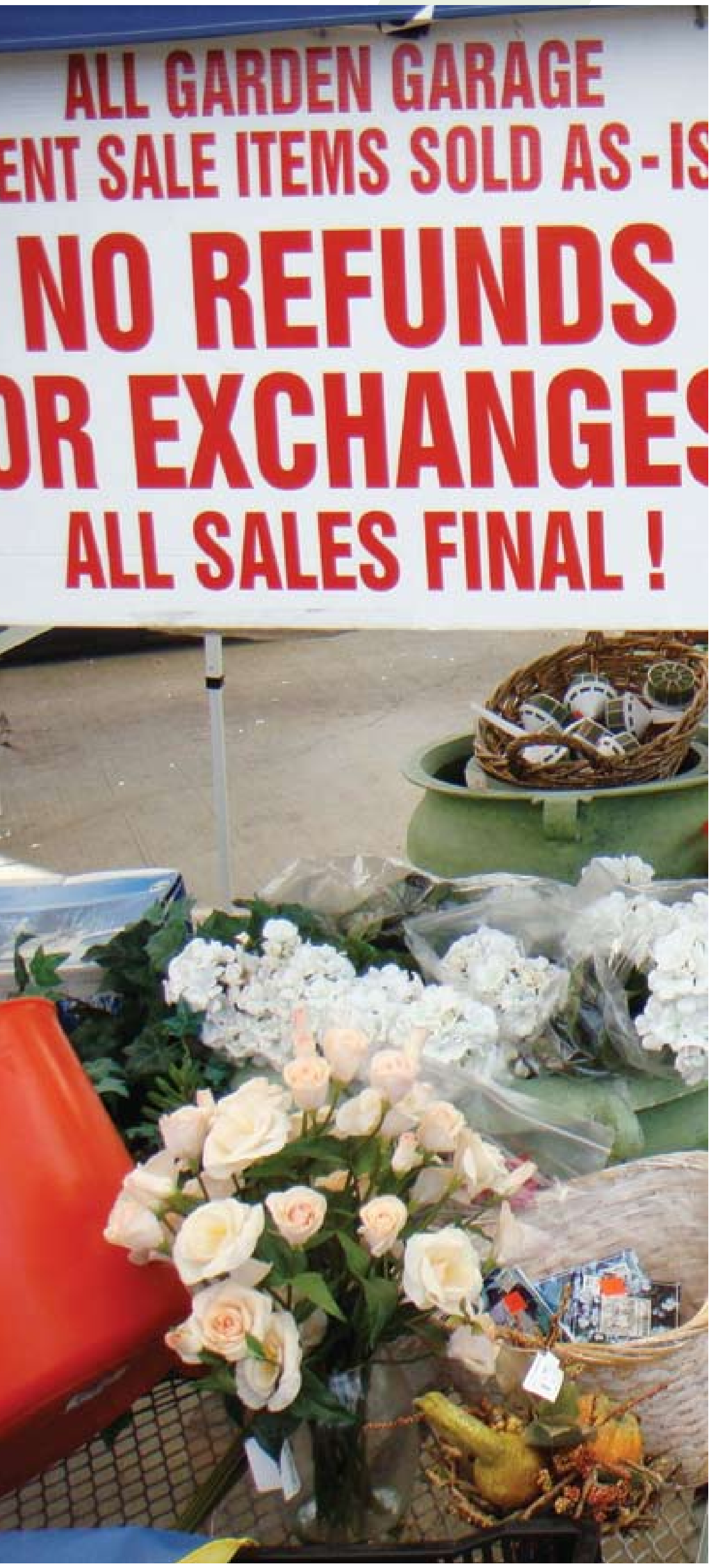
Retail's 7 DEADLY SINS

The original list of Seven Deadly Sins is more than 1,500 years old. Here's an updated version for independent lawn and garden retailers. Feeling guilty?

By Paul Erickson



The Seven Deadly Sins, first identified by St. John Cassian and later refined by Pope St. Gregory the Great, have been with us for more than 1,500 years. "They provide us keys to understanding our faults and the actions that result, and a framework for self knowledge." The original Seven Deadly Sins were Pride, Greed, Envy, Lust, Sloth, Anger and Gluttony.

While I would relish the challenge of drawing parallels between the original list and shortcomings evident with some modern day lawn and garden retailers, I will resist the temptation to do so.

What I will offer instead is my list of Seven Deadly Retail Sins along with their corresponding virtues. You may find yourself guilty of one or two — or perhaps several. That being the case, one can rest easy in the knowledge that along with repentance comes total redemption. Hopefully, this list will prompt you to come up with your own personal list of retail maladies, which is the ultimate goal.

My Seven Deadly Retail Sins are Overbuying, Underbuying, Not Attending Markets, No Markdown Strategy, Not Controlling Operating Expenses, Under Utilization of Technology and Poor Planning.

Just as no human is perfect, no retailer is without occasional retail sin. Confession of these and other infractions, as well as implementation of the virtues described above will certainly help put you on the pathway to lifelong retail salvation and secure your place in retail heaven.

Let's consider these Seven Deadly Retail Sins individually.

1 Overbuying

This one should be obvious. The consequences of this "sin" include reduced margins due to high markdowns, cluttered stores, confusing assortments, stocks that are out of balance, slow turnover, poor cash flow and increased expenses.

Virtue: Follow your open-to-buy plan.

2 Underbuying

Perhaps not as obvious, but a "sin" nonetheless. When underbuying occurs, sales opportunities are missed. This problem is generally caused by lack of proper merchandise planning at the classification level. Examples of underbuying range from not responding to needed reorders to not buying narrow and deep enough to positively impact sales volume.

Virtue: A bottom-up sales and inventory forecast at the class and store level.

3 Not Attending Markets

Not attending markets or trade shows on a regular basis is a retail sin. This is the perfect opportunity to keep your store fresh and one step ahead of the competition. New lines can be discovered, orders already written but not yet shipped can be reviewed, educational seminars can be attended, vendor relations can be nurtured, and major retailers in the area can be shopped.

Virtue: Attend trade shows and markets two to four times a year depending on industry segment.

4 No Markdown Strategy

Markdowns in and of themselves are not a problem. Markdowns taken at the wrong time, in the wrong amount and for the wrong reasons are a BIG problem. Excessive markdowns taken at season end can be very costly if the classification was overbought to begin with. Proper monitoring of sales and inventory during the season can help prevent costly markdowns at season's end. Remember, "The first markdown is the cheapest" — so make it count.

Virtue: Have a well-developed markdown strategy for your store.

5 Not Controlling Operating Expenses

If you pay too much for rent, chances are the only ones making money will be the landlord and the vendors! Review your lease(s) annually to make sure you are paying market or preferably below. Most retailers only look at their lease when it comes up for renewal. This can be a costly mistake especially with today's business climate. I strongly recommend hiring the services of a good lease negotiator to act on your behalf unless you are very skilled in this area. They can usually save their fees several times over and you will know you are not leaving money on the table. Review payroll and

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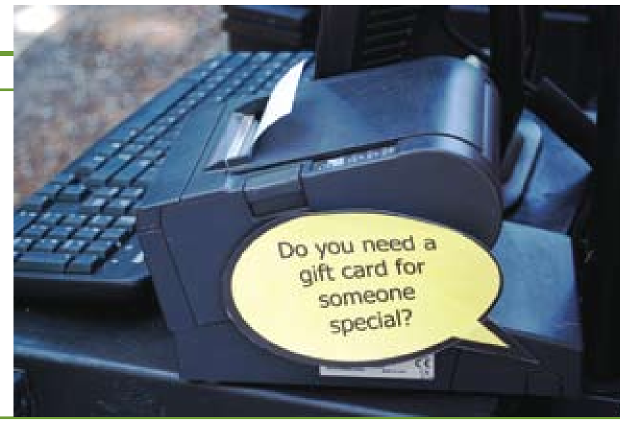

other expenses annually and compare to industry benchmarks.

Virtue: Develop an operating expense budget and review at least annually.

6 Under Utilization of Technology

There was a time, not long ago, when only a handful of cutting edge merchants embraced the latest technology of the day. Today, not understanding and using technology puts today's retailer in jeopardy of being left behind. Point-of-sale systems not only track sales and inventory, but can also help manage work schedules and customer buying habits. Social media outlets help today's merchants get their message out quickly and cost effectively. Store websites provide store information and can serve as a vehicle for additional sales especially when linked to a vendor's site. Good POS systems are a major investment. All too often the investment in them is underutilized resulting only in bar-coded tickets and electronic cash drawers.

Virtue: Take the time to understand and maximize all forms of technology available to you.

7 Poor Planning

Poor planning is almost as dangerous as no planning at all. From a forecasting perspective, poor planning can be to blame for many of the sins described above. From an accounting perspective, poor planning can lead to poor cash management, which is the life blood of most retail operations.

Virtue: Spend time developing, implementing and revising all planning aspects in your company.

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