

# **What's Wrong With My Business?**

## **Perform This Self-Audit to Increase the Effectiveness of Your Business**

By BizMove Management Training Institute

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## **1. Introduction**

This guide will help you Increase the effectiveness of your business by performing a complete audit of your business operations.

A business audit means an examination of the affairs of a business. It involves careful checking to make sure that standardized procedures are followed, that all transactions are recorded and verified, and that financial assets are properly protected. The light that such an examination throws upon your business matters suggests that the process can usefully survey managerial procedures and practices systematically.

### **Purposes of the Audit**

A business audit reveals in dollars and cents the results of past practices, but it may not reveal current management practices that may lead to financial difficulties in the future. To some extent, the management practices of a firm may be subjected to analysis, using techniques that are similar to those used in a financial audit.

A degree of judgment enters into the preparation of a financial audit. In the broader field of a managerial audit, judgment plays an even more important role - for experts do not concur on the degree of usefulness of various managerial techniques. Time and circumstance are important factors in differentiating between good and bad practice. Nevertheless, the various questions posed in the subsequent chapters of this section have been framed to give their respondents direction toward profitable growth.

Since successful managerial procedures are largely the result of enlightened policies and of the business attitudes of the small merchant, this audit has been expanded beyond procedures and controls to probe the willingness of the merchant to adapt to the ever-changing times.

There is considerable disagreement about the meaning of small retailer. Some think of him or her as owner of a neighborhood store with few, if any, employees. Others think of a store with more employees. The nature of the business is a determining factor; for example, a small department store's volume may be considerably higher. The questions in this management audit are designed for all small retailers and, for this reason, some may not have application in specific instances. Nevertheless, most of the questions can be scaled upward or downward to fit the situations existing in the extreme limits of what is defined as a small retail store.

In today's competitive economic climate, a small retailer can prosper only if he is growing and emulating the best practices of the bigger stores. To remain small is to remain exceedingly vulnerable to change. A business can't stand still; it must grow. Growth requires acceptance of and planning for change, leading usually to increased functionalization, more rules, and more control over other people's work.

## **The Questions**

The body of this section is simply a series of questions. They are designed for self-help in determining (1) if, overall, the manager is running his or her business well and (2) to spotlight those areas where management improvements can be made. While there is no clear-cut answer to many of the questions, a "Yes" answer usually indicates that the respondent is engaging in enlightened retail management practice to some degree. If the answer is "No," the respondent in most instances would do well to give some thought to that management area.

For each question, a comment is provided either to clarify the question or to stress its particular significance. The questions and comments are grouped into categories and are designed to capitalize on the strength, and eliminate the weakness, of the management practices of the respondents. While all major functions of a retail business are covered, the questions themselves are only a sample of all that might be asked. But it is believed that those provided are the key ones, most closely associated with success and failure.

## **Limits of the Audit**

To a great extent, the attributes tested in this audit - your self-discipline, your aggressiveness, and your ability to organize and to meet changing business situations - are not suited to precise measurement. However, indications of their presence or absence are to be found in your answers to the questions asked.

In working with this "retail management audit," you should keep in mind that it is not-

1. A financial or market analysis of your firm.
2. A psychological, physical, cultural, or social study of those responsible for the operations and policy-making of your firm.
- 3 . A general economic study of your firm.

On the other hand, the answers to the questions will provide you with a method of measuring your managerial techniques.

The questions used in the audit are based on the following general assumptions:

1. There are broad, non-monetary principles of good management.
2. When too many of these principles are not being followed, the financial condition of a firm is likely to suffer.

3. It is possible to identify areas in a firm which are not well managed and which, if unchanged, will impair the firm's financial structure.
4. It is frequently possible to identify these areas so that the owner-manager can take corrective action.

### **Interpretation**

The small retailer must be more than a doer of the day's work. As a manager, he or she has at least five distinct activities: planning, controlling, organizing, coordinating, and supervising the work of others. All of these activities are important and all are probed by questions in this audit. Planning, controlling, and organizing - usually weak spots in the small retailer's capabilities - receive special emphasis. Primarily, a small retail store is an institution that provides an assortment of merchandise from which its customers may choose. Therefore, the chapters on merchandising and customer relations are the heart of this audit. Everything else is an adjunct to buying and selling.

On the other hand, it should not be concluded that positive answers to a great majority of these questions will assure you a profitable future or that no further study is indicated. The following reminders must be stressed:

1. Even if the results of the audit seem to indicate that you have a "clean bill of health," you should understand this to mean only that no obvious weaknesses are apparent to you in your management structure, policies, or actions. You must be unbiased and objective in making your self-appraisal, and you should measure your self-appraisal against the opinions of others.
2. The audit is only a tool which seeks to indicate information about the effectiveness of your management that, without the questionnaire, would probably take much more time and effort to obtain. It merely points out some crucial management areas which warrant attention.
3. Where weaknesses are revealed, you may be able to rectify the situation and thereby improve your management policy and practice.
4. This Management Audit is not a substitute for financial or other analyses of your firm. Rather, it should be considered only as a useful supplement to other kinds of analyses of your operation; i.e., financial audits, market research, and so forth. In most cases, it will reinforce the judgment of those using financial data as their primary source of information about the firm.

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## **2. A Look At Yourself And Your Ability To Grow**

### **1. Do you feel that you are well suited for success in retailing and that you enjoy your work?**

Retailing offers a challenging and rewarding career to those who have a good business sense, are energetic, and are stimulated by the changes in customer demand and the constant flow of new merchandise. You must like people, since retailing is a "people" business.

### **2. Are you a good listener?**

You learn more by listening to customers, to subordinates, and others (such as merchants and professional advisors) than you do by talking.

### **3. Unless you depend primarily upon tourist trade, do you make an effort to know your customers personally? Their families? Their life styles? Do you greet them as friends?**

Some merchants have an inborn interest in everyone with whom they deal and actively cultivate every contact. This pays off with repeat trade and pleasant personal relationships. If you tend to be reserved, try to become more open and cordial.

### **4. Do you welcome the rapid changes taking place in our society, readily adjusting yourself and your management practices to them?**

Many merchants find it hard to change policies and procedures. They are imbued with the philosophy that what proved successful in the past will continue to be successful. But if they hold to the past, their stores will stagnate and the changing customer will pass them by.

### **5. Do you keep abreast of changes in your field by subscribing to leading trade and general business publications?**

For nearly every type of retail store, a number of excellent periodicals keep their subscribers abreast of important developments. Many of these magazines conduct and report on store and consumer surveys that are of great value. As your business grows, you will find it useful to subscribe to some general business publications.

### **6. Do you plan for a profit (your net income) above a reasonable salary for yourself as manager.**

If your business is not incorporated, the tax regulations does not permit you to include your own drawings as a business expense. As a result, many merchants think they are earning a profit, even though the net income they calculate is less than a decent wage for their efforts in managing their stores. To determine whether your business is truly profitable, estimate what you would have to pay another person to manage your store and what interest you could earn were you to liquidate your business and invest the proceeds in some other way.

### **7. Are you an active member of a trade association?**

Small merchant members of the trade groups who have sought information and guidance say that their associations have been a great help in making them better merchants. In addition to joining a national association, you may want to participate in local association activities.

### **8. Have you given serious consideration to attending a seminar for small merchants given by your trade association, a college, or others?**

To meet for a few days with a well led group of merchants with problems like yours can provide great stimulation to better performance. While it is hard to arrange to be away from the store, the rewards justify the cost. In some larger cities, evening seminars may be available.

### **9. Are you a cooperator, exercising leadership in community affairs, rather than a lone operator?**

There is no doubt that your business gains goodwill when you take part in community affairs. The basic motive for such activity, however, should be responsible citizenship. In the past, merchants generally avoided becoming involved in controversial matters, including politics, fearing to offend some customer groups. Increasingly, however, they are showing more courage and are taking stands on important community issues.

### **10. Have you worked recently with local government officials and other merchants to improve the area in which you operate?**

All merchants should be concerned with the surroundings in which they operate. They should be familiar with and seek to improve such things as local parking facilities and regulations, zoning laws, and building ordinances. They should be aware of and ready to participate in community activities to make their towns better places in which to live and work.

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## **3. Customer Relations**

### **1. Do you regard customers as friends who are entitled to the best merchandise values and service you can give them?**

Too many merchants give merely lip service to the concept of customer satisfaction and are almost entirely motivated by their own personal goals of making money. True, you must earn a profit; but if you lack respect for the customer, you will be sacrificing goodwill and growth to opportunism with all of its pitfalls.

### **2. Do you purposely cater to selected groups of customers rather than to all groups?**

No store, no matter how large, can serve everybody. Small stores are much more effective in catering to distinct groups - such as customers having special tastes or interests, householders living nearby, or business people working nearby. You need less inventory when you restrict your customer appeal to selected groups, and you reduce personnel problems by hiring salespeople who are particularly skilled in dealing with these groups.

**3. Do you have a clear picture of the store image you seek to implant in the minds of your customers?**

A store can attract customers and gain their acceptance by a combination of the following features: physical appearance and "feel," merchandise assortment, merchandise presentation, price, service, and accessibility. You cannot expect to excel competitors in all of these features, but you should establish an identity around those you can best develop. Unless you specialize in certain kinds of merchandise, unless you present your wares with unusual effectiveness, or unless you provide special service, you will find the going tough.

**4. Do you evaluate your own performance by asking customers about their likes and dislikes and by shopping competitors to compare their assortments, prices, and promotion methods with your own?**

Your success depends upon creating a favorable customer impression, which is, to a degree, dependent on how they rate you in comparison with competitors in your area, those in other communities your customers visit regularly, as well as phone and mail shopping services.

**5. Do you attempt to appeal to younger customers both in the merchandise and services you offer, as well as in the atmosphere you create?**

Teenagers must not be neglected, but another key segment of our population is the young adult group. Now in the process of new family formation, this group is developing a life style quite different from that of their elders. You must get into tune with this group if you are to hold its patronage in the years ahead.

**6. Do you compete with larger stores in their weak areas?**

Few small stores can match large stores in assortments, low prices, daily specials, and showmanship. They must gain their strength from among such special services as convenience of location, quick delivery, personal attention, or ability to help solve specific customer problems - for instance, meal planning, garden care, interior decoration, or even spot removal.

**7. Do you add value to your merchandise by developing customer confidence in your judgment and readiness to assure satisfaction?**

The concept of value involves not only the quality of the merchandise you sell, but also the authority with which you introduce and sell it and the assurance you create of product satisfaction.

**8. Do you insist that your salespeople treat each of your customers as an individual rather than as one of a crowd?**

Most customers in a small store welcome and expect personal attention. You should train your salespeople to serve every customer with the same personal interest that you, as a proprietor, would exercise.

**9. Is your adjustment policy generous?**

It is not essential that you maintain a "customer is always right" policy; but you should be ready to make an adjustment for the customer who honestly thinks he is right, even though you question the reasonableness of his view. The ill will created by a restrictive policy will, in time, cost much more than any initial savings.

**10. To resolve a serious disagreement with a customer over a purchase or bill do you ever try arbitration, rather than going to court or simply giving in to a customer who you feel is wrong?**

Arbitration provides a quick, fair method of settling disputes with customers and suppliers, often through compromise.

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## **4. Personnel Management And Supervision**

**1. Do employees in your firm know to whom they each report?**

In carrying out the duties of the job, each employee should take orders from and be under the direct supervision of only one person in order to avoid the conflicts of divided responsibility. Setting down on paper the functions and lines of authority of your employees will assist employees to understand their responsibilities and the relationship of their work to that of others in the business.

**2. Do you meet frequently with your key employees to coordinate their efforts?**

Frequent and regular meetings will enable you to direct your employees as a team in achieving merchandising, promotion, and expense goals.

**3. Do you delegate as much authority as you can to those immediately responsible to you, freeing yourself from unnecessary operating details?**

As your organization expands, you will need to allot an increasing proportion of your energies and time to management (as distinguished from job execution) activities. Management includes planning, organization, coordination, supervision, and control.

**4. Is each person suitably supervised?**

Supervision is a vital part of the management function. Most employees respond well to consistent supervision.



**5. Do you (1) give employees reasonable freedom to work out the way they feel their jobs can best be done, (2) let them make the day-to-day decisions necessary to carry out their work, and (3) avoid limiting any of them to repetitive, routine tasks?**

Today, employees everywhere object to work that demands no ingenuity and becomes boring once mastered. Naturally, many routine tasks are essential, but they should be mixed with more challenging assignments, so far as possible. Varying the work and encouraging employees to create more efficient ways of doing the routine tasks can improve morale, reduce personnel turnover, and boost productivity.

**6. Do you seek your employees' opinions of stock assortments, choice of new merchandise, layout, displays, and special promotions?**

Your assistants will become more productive if you solicit their suggestions of what to buy and how to sell. They must be made to feel that each is vital to the store's success. Break down the notion that, as the boss, you will do all the thinking and planning and that your employees are there simply to carry out your orders. Participative management will build loyalty to you and your store, because the employees can feel that the store is theirs, too.

**7. Do you apply the concept of "management by objective;" that is, do you set work goals for yourself and for each employee for the month or season ahead and at the end of each period check the actual performance against these goals?**

This device should become one of your most important methods of evaluating yourself and others. These goals may be figure goals, such as sales in dollars or units, reductions in certain expenses and stock shortages. They may involve advertising and display plans or campaigns for a cleaner store or more goodwill building. Where goals are set for employees, each person should have a say in setting the objectives so that these goals don't seem arbitrary and unattainable.

**8. Do you turn to schools, both high schools and colleges, for part-time and full time help?**

Increasingly, schools are relating their programs to the everyday problems of business, often granting credit for work experience. When you hire students be sure to teach them more about your operation than is needed to do their specific jobs. They are eager to learn and resent being treated simply as "cheap labor."

**9. Is each new person given adequate job training?**

Your store may be too small to need a personnel or training director, but if you have supervisors, each one should recognize the importance of being a good teacher and should schedule time to teach new people assigned to her or him. In the very small store, the owner-manager will have to act as the teacher.

**10. Are your wage and salary scales competitive with local firms; and are they adjusted to the difficulties and responsibilities of each job?**

Different jobs requiring about the same degree of education, training, and skill and a similar degree of responsibility and freedom of action ordinarily warrant the same wage. Writing job descriptions and specifications will give you a rule of thumb for deciding which jobs are similar in experience and competency requirements. And as your business grows, you will find that such a procedure will let you see quickly if your wage scales are balanced and competitive.

**11. To get and keep the kind of people you want for each job in your firm, are your wages and other forms of compensation suited to the differences in your employees' jobs?**

The bulk of the retail salesperson's earnings should come from a base salary competitive with the pay offered by other similar local firms; for incentive purposes, it is frequently desirable to supplement the base salary with a small commission. Whatever plan you use, each employee should understand it clearly.

**12. Is your overtime policy clear; and is overtime carefully controlled?**

Unnecessary payment of overtime at premium rates is a source of needless expense. Planning ahead, you can organize your employees' work so that little overtime is necessary. When peak periods do occur, you can handle them by using part-time help paid at regular rates.

**13. Do you have an incentive plan which recognizes the personal needs of your employees and which rewards unusually productive and innovative methods?**

You, the manager, seek efficiency from your employees in order to increase sales, to expedite paperwork, and to raise productivity. In addition to money, your employees seek recognition and commendation, security, congenial working conditions, reasonable hours, and opportunities for advancement. Your incentive plans should give consideration, not only to your goals, but also to those of your employees. Small commission and quota bonus plans usually provide incentive for salespeople; seasonal bonus plans work better for supervisors.

**14. Does your company have an employee suggestion system?**

Not all the good ideas for improving a store's operation will originate with you. Most employees will have useful ideas about their own jobs if you give them the opportunity to express themselves. Furthermore, every employee should be free to make suggestions on other phases of the store operation. Should you implement a formal employee suggestion plan, you will find that small awards to those whose suggestions are acted upon will stimulate employee interest and possibly result in a number of truly worthwhile ideas.

**15. Do you carefully keep all the personnel records required by the government authorities, union contracts, if any, and your personnel review plan?**

You should maintain an up-to-date personnel record file for every employee. Such a file would contain a history of each worker's jobs, performance in them, and earnings from

the date of employment. Personnel records are the same as financial records in that they can help you to control the activity for which they are kept.

16. Have you written a personnel policy which governs all matters of employee interests and which every employee must be familiar with?

For the very small store, a statement of personnel policy may consist of one or two typed pages. Larger stores often have printed booklets to inform their employees of policy. Matters such as the following should be standardized by policy and not left to the whim or personal decision of a supervisor: working hours and time record-keeping; paid holidays; free day; vacations; deportment and dress; wage payment systems; overtime; personnel review plan; transfers; separation procedure; severance pay; pension and retirement plan, if any; hospitalization and medical care benefits; and grievance procedures.

**17. Have you prepared an Operational Manual that provides the information you feel essential for anyone who might have to step in to manage your store?**

Such a manual describing how you operate your store provides assurance for the continuation of the business should you, the owner or manager, be unavailable.

**18. Have you introduced medical care and pension plans for your employees?**

A store's small size is no longer a barrier to the introduction of such plans. Building even a small permanent staff today demands inclusion of such employee benefits.

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## **5. Merchandise Inventory Control**

**1. Have you organized your store into selling departments or classifications?**

Organizing your store by merchandise types enables you to determine not only the profitability of groups of merchandise but also the abilities of your employees. Department records should include gross sales, customer returns and allowances, semi-annual physical inventories, purchases at cost and retail, markdowns, direct department expenses, cash discounts, and workroom costs. With these data you can construct department operating statements to enable you to determine controllable profit levels. Your department records are also necessary for proper supervision of your employees.

**2. Do you keep sales, inventory, and purchase records by types of merchandise within your departments?**

Analysis of dollar sales, inventories, purchases, and markups and markdowns of merchandise by type is indispensable if you want to balance your inventories and purchases to sales and if you want an adequate markup. Sales and purchases by types of merchandise can be reported as they occur, or sales can be derived periodically by

subtracting the current physical retail inventory for each type of merchandise from the sum of previous physical inventory and purchases at retail.

**3. Do you control your purchases in dollars by means of an open-to-buy system?**

The open-to-buy is a measure of how much merchandise at cost or retail to introduce into stock during a control period, such as a month, in order to "land" your stock at the end of the period at a predetermined level. It is calculated by adding your planned sales for the period to your planned closing inventory and subtracting the sum of your opening stock and the merchandise on order at the beginning of the period that is scheduled for delivery during the period.

**4. Within each merchandise type, do you develop a model stock plan for key points of time in the season in order to maintain a balance between breadth and depth of the assortments?**

Your merchandise records will have no value unless you act upon them. You can use such records to develop a unit plan which will show the number of different varieties you should carry in stock and the number of each variety you should maintain to avoid running out. A model stock should be broken down by customer preference factors such as price lines, types, materials, colors, and sizes. Even if you do not keep unit control records, you can visually inspect your stock to see whether assortments are well thought out or have been developed haphazardly.

**5. For staple and reorder items, do you prepare a checklist (never-out list) which you frequently check against the actual assortment on hand?**

Avoid being out of staple items. For each item determine your unit requirements by estimating your sales during the sum of the normal delivery period and of a scheduled reorder period, such as every two weeks. Add a little extra for safety. From the total units thus calculated, subtract the number of pieces now on hand and on order, if any. The difference will represent the proper reorder quantity.

**6. Do you have a unit control system for fashion lines that shows best-sellers and slow-sellers daily and weekly?**

The control system may be a daily analysis of sales in units, by style number, size, and color; or it may involve keeping a record of the transfer of goods from reserve to forward stock.

**7. Do you make certain that best-sellers are reordered promptly and in sufficient volume and that slow-sellers are processed swiftly for clearance?**

Unit control records are useless unless they are used promptly in both buying and selling activity. When you sample a new novelty or style number, be sure that a quick reorder can be obtained promptly. Some merchants lose a great deal of potential business because they do not reorder promptly before the initial supply is sold out or because the delivery period for reorders is very long.

**8. When you go to market or place orders at home for seasonal merchandise, do you use a written buying plan to guide your selection?**

A buying plan - the outgrowth of a sales and model stock plan - is developed by such factors as price line, type, and material. It includes a scale to help determine the selection of sizes and colors. It does not normally include specific style numbers (which are determined at the time and point of purchase), but it may include the number of different styles you decide to carry, and the number of colors and number of sizes.

**9. Do you use a reliable system for determining and controlling slow-selling stock?**

Such a system might involve a periodic check of all items or it might be based on a perpetual inventory record that would reveal which items are not moving. Your control records should show the date the merchandise was received; and when you take inventory, you should note the value of goods in each age bracket-that is, less than 6 (or 3) months old, 6 months to 1 year old, and more than 1 year old.

**10. Do you keep separate, in records and in stock, those goods which do not belong to the store, such as a customer's own goods and goods on consignment?**

Legally, you are a consignee for the goods of others and have a special responsibility.

**11. Do you determine the amount of your merchandise shortages at least twice a year?**

By comparing your actual physical inventory with your "book" inventory, you can determine the amount of your stock shortage. Shoplifting by outsiders and pilferage by employees have reached alarming proportions. Your store may not be exempt from such losses. Consult your accountant on how to determine the amount of your "book" inventory.

**12. Are you taking adequate safeguards to reduce shoplifting and pilferage in your store?**

You should strive to develop in your employees a sense of loyalty and responsibility that will keep them alert to any evidence of theft. Instruct your employees in how to handle people they suspect of shoplifting. Arrange the layout of your store so that the actions of customers can be readily observed. Cooperate with other merchants and the police in apprehending shoplifters. Hiring an outside protection service to watch selling areas is also worth considering.

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## **6. Budgetary Control And Productivity**

**1. Do you express your plans in terms of a budget, covering sales, stocks, markups, and expenses?**

The goals expressed in a budget give you something definite to shoot for; and if the budget is carefully made, you can determine the balance you seek to achieve among your various profit factors.

**2. Do you set up your budget for relatively short periods?**

For different businesses the budgetary period will vary, but it must always be short enough to assure adequate control of current operations.

**3. Do you make an organized effort to determine the potential sales of your merchandise lines in your community and to calculate your market share?**

Your local chamber of commerce can help you make a reasonable estimate of the volume of sales in your town of the kinds of goods you sell. You can then determine about what percentage of the total you are achieving. Even if you are growing, a loss in market share is a sign of weakness. Your normal goal is to increase your market share or competitive position, even in times of recession.

**4. In controlling your operations, do you frequently compare actual results with the budget projections you have made; and do you then adjust your merchandising, promotion, and expense plans as indicated by deviation from these projections?**

Every merchant, no matter how small his business, needs open-to-buy and open-to-spend control in order (1) to keep purchases and expenditures in accord with previous plans, and (2) to revise these plans as changes occur.

**5. Do your key employees have a voice in formulating budget plans concerning them?**

Normally, a budget will be more effective when it includes the thinking of those who are to be guided by it rather than when it is solely the product of the owner-manager. Budget-making requires the joint efforts of the people responsible for achieving its stated objectives.

**6. Do you study industry data and compare the results of your operation with them?**

Published data on other businesses in your field are helpful in giving you a basis of comparison for your own determination of such elements as initial markup, cash discounts, gross margin, expenses, net operating profit, stock turnover, percent of old stock, and sales per square foot.

**7. Do you think in terms of ratios and percents, rather than exclusively in dollars-and-cents?**

A sales increase of \$1,000 may seem excellent to you, but is not if it represents only a 1% increase.

**8. Do you use a variety of measures of productivity, such as:**

- a. Net profit as a percent of your net worth?
- b. Stockturn (ratio of your sales to the value of your average inventory)?
- c. Gross profit margin per dollar of cost investment in merchandise (dollars of gross margin divided by your average inventory at cost)?
- d. Sales per square foot of space (net sales divided by total number of square feet of space)?
- e. Selling cost percent for each salesperson (remuneration of the salesperson divided by that person's sales)?

The first three ratios above measure the productivity of your investment; the next one, the productivity of your space; and the last one, the productivity of your sales staff (including yourself).

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## **7. Buying**

**1. Do you have a market representative, such as a resident buyer, who assist you in selecting sources and merchandise, in obtaining low prices, and in promoting merchandise purchased?**

Market representatives vary with the type of store they serve. Your membership in a progressive buying group, including a voluntary chain serving non-competing stores of your size and type, is an essential element in your ability to compete with the large chain store. You have responsibilities to a market organization, too. You should keep it fully informed of your requirements and of the local situation, and you should cooperate in the execution of group purchases.

**2. Have you worked with your buying group to develop and promote private brands?**

Nearly every small store should carry and feature leading national brands. However, private brands of high quality can build prestige at an adequate markup if national brands are subject to sharp price cutting, carry an inadequate markup, and have no great hold on the store's customers.

**3. Do you examine the turnover and markup on your goods to see which you could buy more profitably direct from the manufacturer and which you should continue to buy from local wholesalers?**

Wholesalers can often give you better terms than a manufacturer; and they are helpful in maintaining full assortments so as to minimize lost sales. It is frequently possible to pay more than "direct-from-manufacturer" prices and still make a greater dollar profit.

**4. Are you continually searching the market for the most suitable merchandise, prices, and services rather than relying too much on established sources?**

In every line, new suppliers continually appear and old ones lose their importance. Successful retailers who have been leaders for many years are always on the alert for something better.

**5. Do you have a rule that all salesmen who ask for an appointment are seen by you or your buyer?**

Such a practice insures that you will not become unduly dependent upon past sources.

**6. Do you try to concentrate your purchases in each classification with a relatively small number of key sources, rather than spreading them widely over the wholesale market?**

Each year or season, you should select the group of sellers who are to receive the major portion of your business. Concentrating your purchases results in better service; sometimes you will also get better prices.

**7. In developing a key source list, do you make a seasonal study of the volume sold of each vendor's goods, including profitability?**

If it is not practical to make a vendor analysis in the store, you should ask each vendor to report total sales to you each season. You can then take your inventory by vendor lines. Comparing each vendor's sales to you with closing and opening inventories will give you a reasonably accurate measure of the relative value of your different sources.

**8. Have you trained yourself to keep distinct customer groups (even particular individuals) in mind when selecting merchandise and assortments?**

You can reduce errors in selection if you have a person or group in mind for every item you purchase. The small merchant who knows many customers personally has a great advantage here.

**9. When reordering new items that have shown volume potential, do you make it a point to order a sufficient number?**

If you think an item is worth stocking after an initial experiment, you should stock it adequately, particularly in what you have determined to be the most wanted sizes and colors. And conversely, a reorder late in the life of an item requires careful consideration. "Going to the well" too often can kill your profit.

**10. Do you keep up assortments through important selling seasons, such as Christmas and Easter, in spite of the probability of markdowns on the remainders?**



Maintaining full assortments throughout the mass selling seasons will increase your sales at full markups. Taking markdowns on remainders may provide additional sales and make some contributions to profit.

**11. For goods having a short selling season (such as straw hats), do you predetermine the following dates: (1) when first orders are to be placed, (2) when retail stocks are to be complete, (3) extent of peak selling period, (4) start of clearance, (5) final cleanup?**

Without such key dates in mind, the introduction of short-lived seasonal goods is likely to lead to loss.

**12. Are there numerous unnecessary duplications in your stock assortment because you did not compare new offerings with items already in stock?**

If two items are so similar that few customers distinguish between them, you are wasting your investment if you carry both. Unwarranted duplication of brands results in slow stockturn.

**13. Do you have an operating plan whereby goods asked for, but not in stock, are reported to you?**

You can keep assortments up to date through the use of a want slip (or similar system) which salespeople use to jot down things customers ask for but which are not in stock. It is important for salespeople to report successful substitutions along with the original wants.

**14. Are all your purchase orders written on your store's order forms?**

Insist on using your own order form so that there will be a complete and clear statement of the various conditions agreed upon. It is particularly important to include a statement such as the following: "Merchandise shipped under this order must comply with all laws and regulations of Federal and State governments." Accounting for numbered order forms will give you good control of all store purchase commitments.

**15. Do you take advantage of all available discounts - trade, quantity, seasonal, and cash -and do you include them on your written orders?**

If you plan carefully and control your buying, paying particular attention to the timing of orders, you can frequently qualify for substantial discounts not otherwise available. Many stores earn cash discounts greater than their net profits.

**16. When you place orders, are you careful to specify the date of shipment and the route each is to take, instead of leaving these matters to the seller?**

Excess transportation costs, often substantial, can result from the following practices: failing to specify method of transportation for orders; placing orders too late for use of slower but cheaper delivery methods; ordering in uneconomical quantities (such as in 50-pound lots when the minimum charge is for 100 pounds); failing to specify a

consolidator; failing to check description of the goods for purposes of freight classification; and failing to audit freight and express bills.

**17. Do you follow up all orders to see that goods are shipped and received on time?**

Knowing how much is on order or received is essential if you expect to exercise close control over purchases by means of an open-to-buy system. Late deliveries of your purchases bear a twin penalty: markdowns and lost sales. And late shipments can create customer ill will and cost you future business.

**18. Do you check every incoming shipment carefully against the covering invoice and order copy?**

Careless checking or assuming that the invoice and order agree with the goods received is likely to lead to paying for goods not received and perhaps not ordered.

**19. When you receive merchandise by mail or other carrier and have agreed to pay the transportation cost, do you check the value of the stamps on the package (or the actual cost noted on the freight or express receipt) against the amount billed you by the seller for transportation?**

Suppliers sometimes make billing errors in their favor. While individual discrepancies may be small, they can add up to a considerable amount over the year.

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## **8. Pricing**

**1. Do you figure markup as a percentage of retail selling price rather than as a percentage of cost?**

Using selling price, you can more easily compare your markup with that of other stores and with your own store expenses (which usually are expressed as a percentage of retail sales). Because most of the difference between cost and selling price represents store expense, it is preferable to express markup as a percent of the retail price. A markup goal is arrived by balancing such factors as sales, markdown, expense, and profit objectives. Deviations should require your approval. You should set a markup percentage goal not only for your store, but also for each merchandise department.

**2. Do you set price lines or price zones?**

Setting a limited number of price lines give you good assortments at those price levels. By concentrating at these levels you will minimize your inventory investment. Using price lines also helps you to aim all merchandise categories at specific groups of customers. Price lines should be determined only after you have studied the income levels and buying desires of your customers. Lines should be revised as these factors change.

**3. Do the prices you set provide adequate markups within the limits of competition?**

Carelessly set prices often throw away markup without appreciable advantage to your customers.

**4. Do you give as much consideration to the adequacy of your dollar markup as to that of your percentage markup?**

Setting a lower initial markup may bring you enough added sales to yield a larger total profit, but you must be careful that such action does not disturb the public image of your store.

**5. In retail pricing of new items and in evaluating their cost quotations, are you guided by what you think the typical customer will consider good value?**

The following is a good way to proceed: estimate the retail price for an item that you believe your customers will regard as good value, from this subtract the markup you have set for similar goods; the amount remaining represents a reasonable cost to you for the item.

**6. Do you practice the technique of averaging markup rather than aiming at the same markup percentage throughout your store?**

Sound pricing indicates that you should take larger markups on goods whose risk and handling costs are high in order to offset the low markups you would take on competitive merchandise. The pricing mix, by which you achieve an average desired markup, is more important than the markup on individual items.

**7. Do you avoid selling new and regular merchandise as loss leaders (items sold at less than cost)?**

A small store gains nothing when it becomes involved in a price war. It is better to drop out of such a contest altogether than to offer regular goods at a loss. You may lose the patronage of some bargain seekers; but if you have carefully built your store's reputation, you will not lose the customers who are important to you.

**8. Do you keep a record of all your markdowns, and do you analyze them by cause?**

**Analysis of markdowns by cause will help you to eliminate or reduce major causes, such as reordering too late in the season or holding too many special sales.**

**9. When you have clearance merchandise, does your first markdown normally move a substantial portion of the stock?**

Frequently, two or even three markdowns are required to dispose of an entire lot of clearance merchandise. If you sell out everything at the first markdown, you may have taken an unnecessarily large loss. On the other hand, if you take a very small

markdown that moves only a small part of the goods, you are likely to carry the goods into the next season when there is very little demand for them.

**10. Before you mark down goods for clearance, do you consider alternate or supplementary ways of moving them - such as special displays, repackaging, or including them in a deal?**

In stores handling fashion and seasonal goods, clearance markdowns are one of the heaviest costs. Ingenuity and imagination often make it possible to move goods without markdowns; using other promotion devices allows you to take a smaller markdown.

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## **9. Advertising And Sales Promotion**

**1. Do you frequently supplement your routine day-by-day selling operations with special promotions?**

Although your customers expect you to maintain full assortments of your regular lines, they also expect you to offer timely specials that are unusual and dramatic. The number and timing of these events should be geared to the type of customer you are trying to attract.

**2. Do you advertise consistently in at least one appropriate medium: newspapers, direct mail, handbills, local television or radio?**

Even if your store is small, you should not depend wholly on passing traffic and satisfied customers' recommendations. With a little effort and planning, you can find inexpensive yet effective ways to advertise and reach a larger public.

**3. Do you plan your advertising at least 4 weeks ahead?**

If you plan ahead, you can make better purchases of timely goods; you will have the goods when they are needed; and your advertisements will do a more effective selling job.

**4. Do you approve all ads before they are released, reviewing their content and making sure that the goods mentioned will be ready for selling?**

You or your immediate assistant should approve all ads before they are released. Carelessness and error not only dissipate your investment in the ad but will lead to customer dissatisfaction.

**5. Do you consistently choose items for advertising that are timely, have exceptional value or exclusive features, and help to build your store image?**

If the items you advertise do not have at least some of these qualities, your advertising is wasteful and detracts from your store's personality.

**6. Do you follow the ads of stores in larger cities catering to customers similar to your own in order to find outstanding items to advertise?**

Some small merchants have used this technique very successfully. It often involves making special purchases of goods for their advertising appeal.

**7. Do your ads tell a newsworthy and readable story rather than only trumpet a price appeal?**

Almost always, owners of small stores find that non-price competition is more effective than underselling appeals. Customers often buy for what their purchase will do for them, rather than solely for price. Your advertising appeals should be based on these considerations.

**8. Are your advertisements factual, providing all pertinent details about the goods you are offering?**

"The more you tell, the more you sell." As a small merchant, you might well note the detailed descriptions and interesting reading to be found in a general mail-order catalog. While your own ads are designed not to create an immediate order by mail, but to get customers into your store, specifics are more likely to attract business than generalities are.

**9. Does each of your ads specifically "sell" your store in addition to the merchandise advertised?**

The greatest need of most stores is repeat patronage from customers who know and appreciate the kinds of assortments, values, and services offered. Advertising your store - as an institution - will help keep such customers coming back. To maintain or increase your volume, you cannot depend on continually outdoing yourself and your competitors on specific merchandise.

**10. When you plan to advertise goods that are carried by your competitors or that are comparable to theirs, do you check these competitors' prices and assortments before releasing your ad?**

Your store's reputation for good value is surely harmed if you advertise as a "bargain" what others are selling at a lower price. Formal or informal comparison shopping is a "must" in planning your advertising as well as your merchandising.

**11. Do you regularly and systematically familiarize your salespeople with your plans for advertised merchandise and promotions?**

Regular weekly meetings are a good way to keep everyone informed. Advertising is only a means to an end-sales. The support of advertising by your salespeople is the only way to make it fully effective.

**12. Do you consult your suppliers about dealer aids helpful to the promotion of their merchandise in your store?**

Consider such helps as display materials, special fixtures, customer brochures, informative labels, sales training aids, advertising helps and allowances. Too many merchants accept whatever the vendor provides, often discarding much of it and using some materials, such as window display set-ups, that promote the seller's product at the expense of other goods the store finds profitable. If you don't want some of the seller's "helps," try to get him to provide more suitable ones or ask for a price adjustment where the helps are included in the price of the goods.

**13. Do you subscribe to or have ready access to a sales promotion service and do you use it in planning and executing your promotional events?**

Services carrying suggestions and layouts for headlines, copy, and illustrations can be of great value to you if you do not have an advertising staff. Other promotion services provide monthly sales planning guides that include a wealth of promotional material for every season of the year. Some trade associations publish such information as a part of their regular service to their members. And newspapers in many cities supply professional advertising assistance to their advertisers.

**14. Do you use "co-op ads" with other merchants in your community?**

Often you may not be able to afford enough newspaper space to make a great impact on the public. But you can get much larger, and more effective space by buying it jointly with other local merchants.

**15. Do you conduct a continuing effort to obtain free publicity in the local press or broadcast media?**

To accomplish this requires that you create news about new merchandise or special events that the media will find important enough to feature. It also requires that you establish good relations with those who decide what to report.

**16. Do you keep records of your advertising which you use to improve your future ads?**

Your records should contain a copy of the ad with notations of media used, date or dates of insertion, cost, approximate sales results, ratio of direct dollars sales of the item (or the department) to the cost of the ad, weather and competitors' activities at the time, and comments. Use such information to write better ads, not simply to try to repeat former successes.

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## **10. Display**

**1. In planning displays, do you devote the same care to the selection of merchandise, the use of effective lighting and arrangement, the evaluation of results, and the use of outside display aids that you do to advertising?**

For many small stores, show window displays are more important than advertisements. They should be planned with care and executed with skill and imagination. But remember, the window is an important tool for selling not merely a stage for artistic effects.

**2. Are your window displays planned to attract attention, develop interest, create desire, and prompt a customer to enter your store for a closer inspection?**

Because display is a basic part of selling, it must carry the customer's mind through the psychological steps of a sale: attention, interest, desire, and action.

**3. Do you change your window display frequently?**

Frequent changes are especially important if your store is located where the same people pass often.

**4. Do you give as much attention to your interior displays as to your windows?**

As more and more merchants adopt the techniques of open display and self-selection, they find interior displays fully as important as show windows in attracting their customers' attention and interest.

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## **11.Equipment And Layout**

**1. Are your fixtures and equipment adequate and up to date?**

If changes are necessary, you should consider buying or leasing the equipment you need.

**2. Is the layout of your selling floor planned for the convenience of the customer?**

Related merchandise should be displayed close together; and customers should always be able to see where your different types of merchandise are.

**3. Except for merchandise that needs special protection, does your layout encourage self-selection, making it easy for the customer to handle goods?**

The current trend is to eliminate counters as a barrier between the customers and the goods on the shelves. Goods should be displayed where customers can handle them rather than having to ask a salesperson to show them. Self-selection and self-service fixtures not only save money; they also can enhance the display and sales of your stock.

**4. Are your self-selection fixtures set up for customer convenience and to stimulate sales?**

They should be designed with upper and lower tiers, if possible, to make maximum use of vertical space. However, take care that you don't have some goods virtually out of reach and out of sight, placed too near the floor or too far above the average person's line of vision.

**5. Are goods that the customer may not be specifically looking for but is likely to buy on sight (impulse merchandise) displayed near your store entrances and at other points that have heavy traffic?**

In fashion stores, customers should pass impulse goods on their way to inspect demand items. In food and variety stores, it is frequently a good idea to intersperse impulse good with demand items.

**6. Are you continually on the lookout for opportunities to improve your layout and merchandise arrangement to expose more goods to customers in an attractive way?**

Planning store layout is not a one time activity, but a continuing one. But if you have a steady repeat trade, avoid making frequent major changes that are likely to confuse customers.

**7. Are your cash registers well located?**

Locating your cash registers in the right places reduces the amount of walking your salespeople will have to do and provides greater control over the selling floor. It speeds the sale and leaves your salespeople more direct selling time.

**8. Are non-selling and office activities kept out of valuable selling space?**

Your non-selling and office activities should not encroach upon space that could more profitably be devoted to sales. Your business is selling. Supporting activities, though they are necessary, should be subordinated.

**9. Are your stock areas as close as possible to the selling areas they serve?**

Walking to a poorly located stockroom or reserve wastes your salespeople's selling time. Ideally, you should keep reserve stocks immediately behind the forward stock. In most new windowless stores, the perimeter of the store is used for storage.

**10. Do you have flexible shelving and bin partitioning so that storage space can be properly adjusted to the merchandise?**

Because merchandise categories must often be shifted, lack of flexibility in storage space causes unsightly crowding or results in wasted space.

**11. Do you receive, check, and mark incoming goods at central points rather than on the selling floor?**

In a very small store, there may not be enough room for a central receiving space. In such a business, the owner should make a particular effort to do the checking and



marking somewhere other than on the selling floor. Not only will the appearance of the store be enhanced, but the checking and marking will be more accurate. Careless checking is a major source of loss and of unintentional acceptance of goods not ordered.

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## **12. Cash And Finance**

### **1. Does someone other than the cashier or bookkeeper open all mail and prepare a record of receipts that will be checked against deposits?**

Your firm will be better managed if mail containing checks, cash, and money orders is not opened by those responsible for handling the store's money. Employees will be less subject to temptation if they know that money will pass through more than one person's hands before being deposited.

### **2. Do you deposit all of each day's cash receipts in the bank without delay?**

It is not safe to hold considerable sums of cash in your store. It is bad practice to make payments out of your cash receipts; such payments should be made by check or from a petty cash fund.

### **3. Do you restrict the use of your petty cash funds to payment of small expenditures (not exceeding a stated amount) and limit them to the amount needed for a short period of time - a week or two?**

You should set up your petty cash fund by drawing a check on your bank funds, and reimburse it the same way. You should not add other funds to the petty cash fund or hold a large amount of money in petty cash.

### **4. Do you require adequate identification of "cash-take" customers who want to pay by check and those who ask you to cash checks?**

There are a great many swindlers operating in every community who are quick to take advantage of a careless merchant. A driver's license or credit card is often no guarantee. Check with the bank or an up-to-date credit card report.

### **5. Have you taken adequate steps to protect your cash from robbery?**

Merchants must adopt protective measures. Get police advice and instruct your employees carefully what to do in case of a holdup.

### **6. Is your postage metered?**

You run a much greater danger of misuse when you buy and store supplies of stamps than when you use a postage meter.

### **7. Are your checks pre-numbered?**

If you require that each check, whether issued or voided, must be accounted for, your record of payments will be more accurate and you will reduce temptation for employees. Keep voided checks on file.

**8. Are you careful to lay cash aside for all amounts withheld from employees' wages for taxes, medical insurance, and the like and to remit these sums as required to the appropriate authorities?**

Some merchants have permitted this money to remain in their general cash accounts, rather than segregating it. Without earmarking such funds, merchants may find themselves without the cash to remit on time. This may lead to heavy penalties.

**9. Do you calculate your cash-flow regularly (monthly, for example) and take steps to provide enough cash for each period's needs.**

Figuring cash-flow involves adding to your cash on hand at the start of each period the cash you are likely to take in during the period (largely from cash sales and collections from accounts receivable) and subtracting from this total your necessary cash expenditures (largely for merchandise and operating expenses). Should the expenditures exceed the income, a temporary bank loan may be in order; or you may have to liquidate some investments or draw on savings.

**10. Have you established, in advance, a line of credit at your bank, not only to meet seasonal requirements but also to permit borrowing at any time for emergency needs?**

You will be charged interest only for what you borrow and for how long you do so. The line of credit gives you expanded cash availability and provides flexibility to take advantage of special opportunities, as well as taking care of seasonal needs.

**11. Do you consistently avoid drawing checks to "cash" and signing blank checks ?**

Cash is your most vulnerable asset, and these practices greatly lessen your control over cash funds. Checks should be drawn to the order of the company or a responsible employee, and blank checks should not be signed. To do so is almost an invitation to dishonesty.

**12. Do you keep company securities under lock and key, preferably in a safe deposit vault?**

Although such a question might seem unnecessary, the truth is that many small merchants get careless. Misplaced securities can cause you great inconvenience, and carelessly stored documents are an invitation to theft.

**13. Do you control your liabilities with the same degree of care you devote to your assets?**

Your accounts payable ledger should be regularly balanced with the general ledger control; statements from vendors should always be checked against the accounts or

vouchers payable records; and cash payroll items should be handled with the same care as regular payments by check.

#### **14. Do you maintain a close personal relationship with your local banker?**

Your banker can be one of your best counselors, helping you estimate your financial requirements and showing you how to meet them. But you must always be completely candid in financial discussions, if your banker is to be of help to you.

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### **13. Credit**

#### **1. Do you have a credit policy?**

From the customer's point of view, credit not only avoids the risk of carrying cash, but may be a necessity. You should seldom consider credit simply as a convenience for those who could pay cash. Rather, you should judge it as a promotional device to attract those customers who can maintain or improve their standard of living only if they obtain credit. Set your credit policy only after you weigh the cost of granting credit against its benefits.

Unless your store specializes in daily necessities, you will probably find it helpful to offer credit service - either through your own facilities or through credit card plans. Such a plan has advantages for the small store; your cash is not tied up in accounts receivable; moreover, you escape the problems of opening accounts and collecting overdue bills. On the other hand, your customers' loyalty may weaken when the credit relationship becomes more impersonal.

#### **2. Do you set definite credit limits and explain your rules carefully to all credit applicants?**

Excessive credit losses are usually caused by carelessly opening accounts and allowing customers to overbuy. Don't grant credit on the basis of friendship alone. Learn to refuse credit applications gracefully. An intelligent refusal now may save you - and the customer - future grief, as will customer understanding of limits and other rules.

#### **3. When customers do not make payments as agreed, do you follow up promptly?**

Follow-up letters - each successive one (if needed) becoming more forceful - have been found helpful. You should not sign such letters yourself so as to avoid having any resultant ill will directed toward you personally. In particular cases, you may have to decide whether or not (1) to alter the customer's payment arrangements, (2) to ask him to sign a note, or (3) to turn the account over to a collection agency.

#### **4. If you have your own credit plan, do you have a simple method of identifying charge customers and authorizing their purchases?**

Your business may not be large enough for you to use charge cards, but you should instruct your salespeople always to check with you or your assistant before issuing credit to customers they don't know. Bank credit cards should be carefully checked against lists provided. Also, you should establish floor limits, purchases in excess of which would require your approval.

**5. Have you introduced a revolving credit plan whereby customers can complete payment for merchandise by means of a number of monthly (or weekly) payments and are privileged to buy more at any time within a set limit?**

Revolving credit accounts are suited to the needs of many customers and are growing in popularity. Most stores charge monthly interest on the customer's unpaid balance.

**6. Are your bad debt losses comparable with those of other similar stores?**

Losses from bad debts should seldom exceed one-half of 1 percent of your charge sales -perhaps a little higher on installment and revolving accounts.

**7. Periodically, do you review your accounts to determine their status?**

At least twice a year, you should prepare a schedule showing your open accounts and the current amounts, those that are 60 to 90 days old, and so forth. Similarly, you should analyze your revolving credit accounts and installment accounts. Such review will assist you in setting up bad debt reserves and in checking your credit and collection practices.

**8. Are you a member of a retail credit bureau, and do you actively use the information it provides?**

If there is no credit bureau available to you or if membership is too costly, you can turn to your local banker for guidance in issuing credit to specific persons.

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## **14. Insurance**

**1. Is your store insurance handled by a conscientious and knowledgeable agent?**

As a small merchant, you probably rely almost entirely on outside professional guidance in insurance matters. Therefore, finding a reliable agent, genuinely concerned with your insurance needs, is essential.

**2. Have you updated your insurance needs to assure adequate protection for buildings, equipment, merchandise and other assets, as well as for public liability?**

Insurance coverage should be checked periodically. It should be sufficient to cover existing contingencies. You may wish to hire an insurance expert other than your own

agent to review your policies and make recommendations. Be sure that the reviewer has all the information necessary to study your situation, and stress the importance of locating any new hazards and determining any decrease in former ones. Correcting your risk situations - for example, by providing sufficient fire extinguishers or sprinklers, by lighting dark stairways and entrances, or by installing a good burglar alarm system - can drastically lower your premiums.

### **3. Is your public liability insurance adequate?**

In recent years, customers, delivery people, and others have been suing merchants more and more frequently and for greater amounts. And juries have been tending to increase awards for damages in negligence suits. To be adequate, your liability insurance program must take into account the increased amounts that are now often being awarded in judgments.

### **4. Have you reduced your insurance premiums by using deductibles?**

You should decide how much of your various risks you can bear yourself. Accepting a deductible, you can reduce your premiums and yet be protected against any major risk. When you use a deductible, you should, of course, build up a reserve fund to cover your uninsured risk.

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## **15. Accounting Records**

### **1. Do you keep careful records of your cash outlays for goods, supplies, and services?**

The time it will take you to jot down the nature of a cash payment is very small. Such records, together with checkbook stubs, accumulate enough data for you to determine, in some detail, just how you are spending your money. Accurate records are necessary for tax purposes.

### **2. Do you maintain a cash budget?**

Using the above-mentioned records as guides, you can actually plan your cash outlays. Doing this, and forecasting what your cash receipts will be, helps you to run a more orderly, and profitable, business.

### **3. Do you have your books balanced and accounts summarized each month?**

It is best to know regularly what is going on and in which direction you are headed. Then if faults appear, you still have time to correct them before they become major problems.

### **4. Do you use a modern point-of-sale register for sales transactions and computer to record accounts receivable?**

The old manifold handwritten sales-book has little place in modern retailing. Today, even delivered and charge transactions can be handled by a register operation, and you can automatically get a daily analysis of all sales and return transactions at each register area. Similarly, computer maintained accounts receivable may be more efficient than a manual system.

**5. Have you considered having your sales and other records processed and analyzed by an outside agency?**

Many agencies will process your records (using computers) and give you analytical data promptly. But before you contract for any such service, measure its cost and efficiency against what you are currently able to achieve.

**6. Do you keep data on sales, purchases, inventory, and direct expenses for different types of merchandise in your store?**

Even if you do the buying yourself, separate data for each type of merchandise will give you better control of purchases and promotions.

**7. Do you have your books audited yearly by an independent public accountant?**

To protect both yourself and your bookkeeper or accountant, you should hire an outside firm to make an independent yearly audit. A competent public accountant will be able to offer guidance on taxes as well as on other phases of management.

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## **16. Planning For Growth**

**1. Over the past few years have you done very much long-range planning for growth?**

If you are forward looking and flexible in your thinking, more than likely you will be continually planning and executing changes - for change is a dominant aspect of modern competitive life. Although a wise merchant respects the past, he should never be bound by it. Your long-range planning should take into consideration all of the following: merchandise assortments, selling methods and sales training, sales promotion media and devices, customer services (especially credit), addition of income bringing services, building modernization (fixtures and equipment), branch development or location change, financing (especially the reinvestment of earnings).

**2. Is your store location still satisfactory?**

If your neighborhood is deteriorating (and with it sales and profits), you should give some consideration to moving to a new location which your present customers could readily reach and where new customers could be attracted. A good nearby shopping center might be ideal.

**3. Do day-by-day activities involve you so much that you find no opportunity for advance planning?**

The small merchant must be both a planner and a doer. Day-to-day activities can be delegated so that you can do more important planning.

**4. When you find that change is called for, do you act decisively and creatively?**

Risk is always present in business. Some of it can be reduced by insurance. But there is no way to hedge on long-range planning. Once you have decided to make a change - based on all available facts - you should enter into the project wholeheartedly.

**5. Do you find that recurring crises force you to make most of your changes before you have been able to give them thoughtful analysis?**

The failure to plan for changes that must be made if you are to hold your customers and attract new ones leads to great waste and poor management practices. Sudden changes add unnecessarily to your expenses, they disturb your established customers, and they upset your employees' morale.

When you determine that you must make a change in some policy or practice, plan ahead carefully and give all those involved a clear account of what is going to be done. By planning ahead, you lessen the possibility of crises and the need for snap judgments.

**6. Do you have someone ready to take your place in case of emergency?**

The uncertainties of life are many. You should have someone ready to keep the business running smoothly, if something should happen to you, until such time as a long-range decision can be made.

**7. Are you grooming someone to succeed you as manager in the not too distant future?**

No matter how young the management of a business is, unforeseen disabilities can occur at any time. Someone should always be in training as a manager; otherwise, the business is no more secure than the health of its owner-manager. Furthermore, you should have a management reservoir for business expansion.

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