



# A TEAM APPROACH TO SUCCESS

## ICBA Stores Share Financial Data With RMSA for Analysis

Seeing this level of participation among its membership, ICBA recognized an opportunity. RMSA works in other retail channels to bring non-competing independent stores together. Since ICBA is a group of non-competing independent stores, an RMSA peer group was created to benefit from common financial analysis by looking across trends to see which members do best in key areas, such as markdowns.

### PERFORMANCE MEASURES

RMSA can analyze store financial results to identify which of the participating stores have the best metrics for a product to improve turnover and margin, to grow sales while lowering average inventory or who could do both simultaneously.

Analysis compared data for sales, ending inventory and initial markup on merchandise to calculate a group picture of gross margin return on investment (GMROI), a consideration of margin and how long merchandise sits in stock, or profit over dollars tied up in inventory. Categories analyzed included backpacks, caps, sweatshirts, T-shirts, jackets/outerwear, shirts, children's wear, binders and spiral notebooks, and writing instruments.

"Those are the categories that had commonality," said Paul Erickson, senior, vice president, RMSA.

Typically, retail prices are twice what a store pays to acquire merchandise. In analyzing the ICBA data, RMSA discovered, for example, backpacks were marked up around 51 percent. Some had a higher initial markup while others managed to maintain profit even after the mark-

down is taken.

Further, turnover, the measure of how many times inventory was sold and replaced, ranged from five to a half for the participating ICBA stores. RMSA then focused analysis on fast-selling stores with the highest turns as examples of participants getting meaningful improvements. Results of less than a turn indicates stores having more inventory on hand than was sold.

Most results were positive. Participating stores had strong sales increases, good margin and fast turns in T-shirts, strong margins in caps and sales gains in backpacks. Binders and spiral notebooks were up double digits and was the strongest category in sales.

Challenging categories, however, were writing instruments, outerwear and children's. Writing instruments had mild sales increases while children's had the worst stock turns, and Erickson explained the poor performance by saying if outerwear is soft, its weather related. "The lowest selling merchandise was children's wear," he said.

### CONCLUSIONS

RMSA concluded the participating stores buy broad and wide, but tend to have inefficiency with inventory. The best way to form efficient inventory is to narrow the assortment down to key items and have strong back stock. Knowing pens sell well, stores may decide to have 12 different types in inventory, but pens come in many different colors, and not knowing which is popular results in over stocking.

A key lesson, Erickson concluded, is stores "need to be more diligent



**W**hen 17 members of the Independent College Bookstore Association agreed to share a year of each store's financial data with RMSA Retail Solutions for analysis, the group results have stores taking a closer look at inventory management for better performance.

During ICBA's annual Retail Conference in Scottsdale, Ariz., this year, these 17 stores agreed to organize into a peer group that, using 2008 data, worked with RMSA to forecast key financial performance areas influencing the bottom line, including open to buy, vendor analysis and cash flow.

Results are further analyzed by breaking down categories into specific segments, such as studying fleece, T-shirts, hats and outerwear within apparel.

"All of these are intended to improve the financial performance of the store," explained Stacy Waymire, ICBA executive director. "Each store can benefit from what's happening at the other stores."

ICBA is entering its 11th year working with RMSA. Out of ICBA's entire membership of about 140 stores, 17 are RMSA clients, and these are primarily larger by revenue. Among the top 10 ICBA members, half work with RMSA.





than ever to control inventory.” He suggests stores be most diligent about maintaining stock on staples, follow open-to-buy, do not over-stock and turn stock over in a reasonable time, including marking down mistakes to get rid of slow-selling items and improve turns.

More than data analysis, however, the results were presented to the group in a discussion facilitated by Erickson, Ken Bankson, RMSA senior analyst, and Jim Hobson, senior analyst with RMSA. The stores explained the steps they took to achieve their results, and that stimulated the group to a consensus all would follow.

### SUCCESS BY SHARING

Being able to drill down into management decisions made by stores that achieved the best success in improving turns and margin combined with the level of data sharing and analysis is the benefit of working with RMSA as a client partner. “It allows a level of analysis to happen that isn’t available in any other way,” Waymire said. “That is exactly the moment that we’re looking for.”

RMSA helps the stores improve knowledge skills and takes professional development to a higher level than the association can provide alone. “I only wish more stores were doing this,” he said.

Progress culminating in this year’s peer group meeting actually began over three sessions. RMSA originally did a presentation to ICBA clients and non-clients during the annual Retail Conference in Orlando, Fla., in 2007, and another the following year in Destin, Fla.

Sitting in on an RMSA presentation made in 2008 convinced Rita

Phillips, assistant director, Iowa State Bookstore, to have all buyers set goals for sales, turn and inventory based on RMSA calculations. “I think they are feeling more confident about what they are bringing in and how much,” Phillips said, referring to the bookstore’s buyers.

The bookstore also was one of the 17 ICBA members participating in this year’s peer group analysis. “I’m looking at it as an educational training tool that helps the store,” she said of working with RMSA. “It’s finding that balance and making sure we’re not losing sales.”

Since working with RMSA, the bookstore began tracking Nike apparel (T-shirt and short sales) as individual categories rather than collectively and looks within the consumer electronics category for items it can raise prices to earn a higher margin while maintaining market share. “Sometimes the buyer forgets I could get more on a product,” she said.

Another big step is deciding on the optimum inventory level rather than

downsizing all merchandise. “It’s not about downsizing, inventory, it’s right-sizing inventory,” she said. “It’s more about getting it in and getting it out quickly.”

Delivery times were also adjusted. Schools supplies for rush arrive later, between late July and early August instead of by mid July, as was the case in the past. For the bookstore, the advantage is sell-through is nearly complete by the time invoices arrive instead making payments first.

Auburn University Bookstore is in its third year working with RMSA. In that time, the store learned to react faster to unforeseen events by closely evaluating categories for potential growth or risk and take immediate action for inventory control.

The store is better able to forecast sales, plan margin and turns expected by each department, make sure inventory is in line and make adjustments up or down depending on trends.

“I’ve found we have talented buyers who are good at determining what customers want, but not so good at making sure the football team does well and the economy does well,” said Katie Lee, director, Auburn University Bookstore.

When Auburn’s football team performed below expectations last year, the store wound up overstocked. The store responded immediately by marking down slow-sellers to boost sales volume and reach goals, but had enough open-to-buy budget in reserve to purchase strong selling items.

The first cut is the cheapest, Lee

said, recalling some useful advice she received from RMSA. Early markdowns in response to slow sales happen when customers are on campus with time to buy, she explained.

Monitoring sales monthly with its inventory management system, Lee said, the bookstore sees when turns slow and other metrics point to merchandise not moving. “When the football team is hot, the sales are astronomical,” she said. “When it’s not, we can easily get stuck with inventory.”

### PEER GROUP II

Results of this year’s peer group analysis with RMSA encouraged ICBA to plan a second for its 2010 annual Retail Conference in San Antonio, Texas, in February. Further, two more stores signed on as clients, and RMSA expects to add a 20th by next year.

To participate in the peer group analysis, ICBA members must be an RMSA client. The client fee varies depending on store size, amount of business and number of locations. Participation can begin with a free profit analysis suggesting where stores may be able to grow.

Product mix can also limit participation. “There may be stores that are too small or whose product mix isn’t right,” Waymire said.

A store almost exclusively devoted to course materials, for example, is difficult to analyze. At the same time, Waymire concedes, succeeding in this category demands similar skills to other merchandise, such as turns, sell through and markdown pricing. “All those things are in flux now with course materials,” he said.