FINANCIAL, PROBLEMATIC, AND OWNERSHIP FACTORS IMPACTING ON THE EFFICIENCY OF APPAREL SHOPS

By

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CHAPTER I

INTRODUCTION

"The American economy consists of over 210 million people whose material needs and wants are satisfied by approximately 10 million business enterprises" (Baumback, Lawyer, and Kelly, 1977, p. 3). The majority of the world considers the United States to be a country of enormous businesses; nevertheless, small business "represents over 95 percent of the total number of business organizations in the United States" (Abdel-samad and Kindling, 1978, p. 24). Former President Carter, in his message to the Congress on small business in January, 1980, notes, "We must recognize that our aspirations for a free and productive society rest to a significant extent upon the fate of America's entrepreneurs and we must act accordingly" (Progress Report on Recommendations of the White House on Small Business, 1980, p. 7).

Small business is of extreme importance to the economy of the United States. In the past, a significant percentage of unemployment was considered to be due to a shortage in the development of new business (Black, 1946). Small businesses are equally important to the employment of Americans today. Small businesses account for more than 50 percent of all private employment and 43 percent of the gross national product today (Progress Report on Recommendations of the White House Conference on Small Business, 1980). "Two-thirds of the economy's new jobs came from firms with 20 or fewer employees between 1959 and 1976.

At least one-half of the nation's private work force is in some way dependent on small business" (Time, 1980, p. 84).

Despite its importance, "small business is in a state of declining economic strength" (Nations Business, 1978, p. 38). Small businesses are vulnerable to failure. A large number of business failures are reported each year. J. K. Lasser Tax Institute (1974) has reported that each year approximately 450,000 small businesses come into existence, with an equal number of small enterprises failing each year. Tate, Megginson, Scott, and Trueblood (1975, p. 11) stated: "retailers and service establishments tend to fail earlier than other type businesses, while manufacturers, construction firms, and wholesalers fail later." Dun and Bradstreet (1980, p. 4) reported that "after a three year downtrend, retailing failures increased 10 percent in 1979."

Apparel stores are among the numerous kinds of retail trade outlets. Apparel stores constitute "a very big business in the United States, one that generated approximately 70 billion dollars at retail in the year 1975" (Packard, Winters, and Axelrod, 1976, p. 5). Yet, "clothing stores consistently place near the top of the business failure list" (Cingloani and George, 1978, p. 1). In 1979, "apparel stores had a seven and one-half percent increase in failures. Women's ready-to-wear and family clothing accounted for most of the rise" (Apparel Outlook, 1980, p. 4).

The importance of small firms in the economic structure of the United States and the increasing failure of small apparel stores in the United States support the need to identify factors that impact on the efficiency of small stores. Little research has been undertaken to describe the efficiency factors that lead to the success or failure of small apparel shops. An increased understanding of factors impacting on the efficiency of apparel shops in existence less than five years would make it possible to study the relationship between these factors and early success or failure.

Purpose and Objectives

The purposes of the study were to investigate financial, problematic and ownership satisfaction factors impacting on the efficiency of a selected group of small apparel stores and to make recommendations for a model which could be used to assess the efficiency of small apparel stores. In order to accomplish the purposes of the study, the following objectives were formulated:

1. To identify financial, problematic, and ownership factors present in selected small apparel stores that have been in existence less than five years.
2. To analyze the efficiency of selected small stores in relation to key financial ratios and problems identified in the four functional areas of retailing.
3. To make recommendations for a model which could be used to assess the efficiency of small apparel shop operation including suggestions for improving the efficiency of small stores during the first five years in business.

Assumptions and Limitations

Assumptions basic to the study were:

1. Efficiency factors are identifiable in existing small apparel stores.

2. Problematic factors are inherent in the retail function.

Limitations inherent in the study were:

1. Case studies were based on four apparel stores in business less than five years within a 70-mile radius of Stillwater, Oklahoma.
2. Data was obtained in three interview sessions with each store owner during a three month time period.

Definitions

The following definitions were applied in order to facilitate an understanding of the research report:

1. Case Study - a problem-solving method allowing the research a) to gather all pertinent facts; b) to organize and correlate this information; c) to determine alternate solutions; d) to understand alternatives; and e) to use a solution in attempting to solve the problem (Axelrod, 1977).
2. Economic Efficiency - the relationship between structure and performance maximizing output for input (Dalrymple and Thompson, 1969).
3. Efficiency - for purposes of this study, efficiency was defined as the ability to produce the desired business results as reflected by a minimum number of problems and by financial ratios comparable to national averages.
4. Failure - a situation where available capital is insufficient to pay all the obligations of a business (Baumback, et al., 1977).

5. Financial Ratios - for purposes of the study, financial ratios included a total of 13 key business measurements calculated for each of the four stores.
6. Labor Efficiency - the relationship between sales and the number of paid employees (Dalrymple et al., 1969).
7. National Averages - thirteen business measurements reflecting the operations in 1978 of women's ready-to-wear stores, as reported by the National Retail Mercants Association,. Dun and Bradstreet, and the Bank of America.
8. Problematic Areas - the four functional areas of retailing: accounting and control; buying and merchandising; operations and management; and advertising and promotions (LeGrand, 1978).
9. Accounting and Control - the activities involved in keeping adequate financial records and preparing the balance sheet and cash flow for a small apparel store (LeGrand, 1978).
10. Advertising and Promotion - the activities involved in the selection, presentation, and promotion of ideas, goods, and/or services for small apparel shops (LeGrand, 1978).
11. Buying and Merchandising - the activities involved in the planning, procuring, and controlling of merchandise for the small apparel store (LeGrand, 1978).
12. Operations and Management - the activities involved in the direction and control of various factors associated with the physical handling of goods, protection and service to customers, purchasing supplies, maintenance of the store, and the handling of employees for small apparel shops (Wingate and Sampson, 1968, p. 135).

13. Small Apparel Stores - for the purposes of the study, single unit retail operations which have been in business less than five years and carries only women's apparel and accessories.

14. Utility Efficiency - the relationship between total operating expenses, the number of square feet of selling space and non-selling space, and advertising expenses.

CHAPTER II

REVIEW OF LITERATURE

American businesses are largely made up of small, independently owned and operated establishments. Out of at least eight million businesses in the United States, 95 percent of them can be considered small. The high percentage is partially due to the prosperous decade of the 1960's when a high number of small businesses opened than during the years following World War II (J. K. Lasser Tax Institute, 1974).

In the 1970's small firms continued to make a major contribution to American economic life. Small businesses are the backbone of the nation's economy. "The competition [small businesses] provide, to each other and to big business, accounts for much of America's remarkable economic growth" (Baumback and Lawyer, 1979, p. 17).

Small firms are often dwarfed by business giants. Historical data indicate that the general small business segment of the United States economy has grown less rapidly than the big business segment. Management in large firms desires to tap promising new markets and to merge to form conglomerates and multinational firms. Small firms usually move forward more slowly and thus, slower growth patterns are evident in small businesses (White, 1976).

The retail trade has suffered a slowdown that began around 1958. The distribution of total sales in the retail trade has decreased for small businesses. According to the United States Bureau of Census

(1976, p. XXVV), there was a drop in the distribution of sales in single unit firms from 66.3 percent in 1958 to 44.0 percent in 1972.

Small business has predominated in the retail trade area. "Even though there are many chain stores, department stores, and mail-order firms that are business giants, the typical retailer is a small business man" (Broom and Longenecker, 1975, p. 12). In the retail trade only 19.8 percent of paid employment is on payrolls of firms with 100 or more employees, leaving 60.2 percent to smaller business (United States Bureau of Census, Enterprise Statistics, 1976).

Business is a very competitive struggle and the mortality rate among small enterprises is high (Baumback and Lawyer, 1979). Many predict doom for small business of all kinds. Senator William Proxmire, in his book on small business, stated, "if you're a small businessman . . . you may soon be as extinct as the village blacksmith" (1965, p. 5). "In normal times about twenty-four hundred new concerns open their doors each business day, and almost as many (2100) close" (Baumback and Lawyer, 1979, p. 20). Anticipated increase in competition focuses attention on reducing costs and achieving greater efficiency (White, 1976).

The following sections contain selected literature pertaining to the identification of efficiency factors in small businesses, problematic factors influencing the successful operation of small businesses, the qualitative efficiency factor of owner satisfaction, apparel store operation, research techniques, and related research.

Efficiency Factors

Efficiency in the retail sector was defined by Dalyrmple and

Thompson (1969, p. 27) as "the ratio of effective work to energy expanded in producing it; output divided by input." The term inefficient infers ineffectiveness, lacking the necessary ability, unskilled, and incapable. The efficiency concept applied to retail store operation allows for analysis in terms of: 1) economic efficiency which establishes key business ratios; 2) labor efficiency which involves the comparison of sales with the number of employees, and 3) utility efficiency which examines the relationship between costs and intensity of utilization of facilities. These efficiency concepts, according to Dalrymple and Thompson, provide a basis for understanding why things are as they are, and perhaps more importantly, the likely directions and speed of change. The search for greater efficiency is in a sense the principal guide for managerial actions and policies.

Economic Efficiency

In order to identify economic efficiency factors, small firms must first recognize the goals to be achieved by the retail operation. "Goals are actually results expected from future operations. As such they are forecasts" (Lipson and Darling, 1974, p. 31). Realistic goals for marketing operations should be in measurable terms allowing for the gauging of effectiveness and efficiency of the operation. "specific numerical marketing goals are needed for sales volume, profits, return on investment, . . ." (Lipson and Darling, 1974, p. 32).

Dollar Sales Volume. In a small store, the owner or manager usually forecasts the dollar sales volume (Duncan and Hollander, 1977). Sales volume goals may be based on past sales records. Projections from past sales records should take into account changing environmental conditions (Lipson and Darling, 1974). Sales volumes of retail stores are closely tied to general business conditions.

In the late 1960's and early 1970's, retail sales paralleled the growth and expansion occurring in the general economy. However, much of the growth was attributed to inflation and increases in the general price level. The actual physical volume of goods increased during the past two decades primarily due to increases in the population and increases in levels of real per capita purchasing power (Markin, 1977). According to Dun and Bradstreet (1980, p. 2), "sales [in 1979] continued up but the rate of gain moderated slightly from the 1978 pace."

Net Profits. By definition, profit in retail systems is the difference between sales revenue and total expenses (Markin, 1977). "Net profit is the difference between sales and all expenses - selling costs, operating expenses, and the cost of goods sold" (Lipson and Darling, 1974, p. 32).

"Net profit is probably the most important indicator of the success of a business operation" (Disney, 1976, p. 1). Not only is net profit a measure of successful performance, but in a market dominated system, profits are the basis for a firm's survival. Profits should be large enough to reward a business for efficiency, yet not be excessive. Rather, profits should approximate a reasonable return on investment. "Although profit is only one measure of a firm's performance, it is the prime motivating factor for all" (Givinner, Brown, Hagan, Ostrom, Rowe, Schlacter, Schmidt, and Shrock, 1977, p. 398).

"Sometimes marketing goals are set in terms of profits . . ." (Lipson et al., 1974, p. 32). A wide range of concepts should be used in measuring profits. For this reason, the relevant question is not "Which measure of profit shall I use?" but, "For what purpose do I intend to use profit as a criterion for decision making?" (Markin, 1977, p. 45). The following excerpt gives some suggestions pertaining to the latter question:

> If we want to evaluate managerial performance, we might choose to do so by seeing how well management has used the assets at its disposal. In this situation, profit as a percent of investment would be the relevant form. If, on the other hand, we wanted to determine whether our costs of doing business were in line with other firms similarly situated, we would probably use profits as a percent of sales. In other cases absolute profits are a useful check against the distortions of percentage comparisons, since they give perspective to the magnitude involved (Ottenson, Panschar, and Patterson, 1964, p. 37).

Whatever measure of profit is most useful to the retail manager is the measure most likely to be adopted (Markin, 1977).

In the improvement of profit, several interdependent factors should be considered. Higher prices, lower costs, or higher volume of a business may improve profits, yet cost, price, and volume are related in that changing one will have an interaction effect on the others that must be accounted for. "If we raise unit prices, we may cause a reduced volume and vice versa. An optimum combination is needed" (Lindemann, 1966, p. 63).

The small retail manager or store owner's main objective is to operate a profitable organization. Given a set of assets, "he is expected not only to preserve those assets, but to increase their value as a result of all his managerial decisions" (Markin, 1977, p. 45). Accomplishing this task is critical to a profitable business that will survive.

Return on Investment. "Business exists to serve customers at a profit. One measure of profit is the difference between revenue and cost. The result is a return-on-investment (ROI) measure" (Givinner et al., 1977, p. 106). The return-on-investment approach allows the relating of desired profit levels to sales or assets, and the investment in the business. Thus, management is able to establish performance standards and goals (Givinner et al., 1977).

Comparison of profits with the value of the resources used in the marketing operation is another task of return on invested capital. Return-on-investment in a firm's marketing operations is influenced by the relationship of invested capital to sales and of profit to sales.

In the last decade, the costs of doing business had overcome the increases in sales and the return on investment has dropped considerably for small independent stores. Store owners should reexamine their business philosophies, their customers' characteristics, and their management policies in order to increase their return-on-investment figure.

Gross Margin. Gross margin is a measure of the financial status of the business. Regardless of the initial retail markup placed on merchandise, the amount of money actually realized for the sale of those goods is reflected in the gross margin.

Gross margin is the difference between sales and the total cost of goods solds. Total cost of goods sold includes transportation charges, workroom costs, and alteration, minus cash discounts. "The difference between net sales and the total cost of goods sold" tells the merchant the gross margin (Cash, 1979, p. 552).

Judgmental and policy questions are considered in planning gross margin. An excessively high gross margin may indicate noncompetitive prices or failure to take necessary markdowns. A low gross margin may indicate failure to cover expenses, and possible buying mistakes or excessive markdowns. "As a rule, gross margin must be large enough to cover the costs of doing business. As expenses rise, so should gross margin dollars" (Elgart, 1965, p. 418). Retailers need to attain a gross margin figure that yields a reasonable profit after expenses are paid (Duncan and Hollander, 1977).

Labor Efficiency

Labor efficiency involves the comparison of sales with the number of employees. Research by Hall, Knapp, and Winstein (1961) utilized sales per paid employee as the primary measure of efficiency. The study compared sales per employee for small, medium-sized, and large stores. The data clearly illustrated that labor efficiency was the lowest for firms with two or fewer employees.

"Labor accounts for about one-half of total retail operating expenses" (Dalrymple et al., 1969, p. 35). In a research study by Dalrymple and Thompson, labor efficiency was found to increase with the size of a firm.

Utility Efficiency

Utilization efficiency is defined by Dalrymple and Thompson (1961, p. 41) as the "relationship between costs and the intensity of the utilization of retail facilities . . . the way differences in sales per square foot of selling area affect the costs of operating retail stores." Utilization efficiency can be assessed by examining the general relationship between costs and size.

Research reported by the National Commission on Food Marketing suggested that as sales per square foot increase, store expenses decline and eventually level off. Costs also declined when the size of the store increased. The study indicated that a 20 percent increase in volume and a greater utilization of facilities reduced costs by one percent of sales (Organization and Competition in Food Retailing, 1966).

Problematic Factors

Several different types of factors have been reported to have a significant effect on retail efficiency (Collins, 1967). Past research suggested that the factors considered were not financial in nature, yet appeared to have a definite influence upon the efficiency of retail firms.

Small retailers assume major responsibility for four areas of store organizations: accounting and control; buying and merchandising; operation and management; and advertising and promotion. In order to survive, small retailers must make effective management decisions related to each functional area that affect the store operation both internally and externally.

Duncan and Hollander (1977) listed four external conditions which influence the future of small stores.

1. General business conditions expected during the coming period in the country as a whole and in the local community or region. This will indicate the purchasing power of the store's customer and potential customer. . . .

2. The trend of the population and its characteristics in the trading area in which the store is located.

3. Changes in the number, size, appearance, and promotional activity of competitive stores.

4. Broad fashion movements which affect the store's merchandise . . .(pp. 269-270).

Duncan and Hollander (1977) next gave internal conditions which should be considered:

1. Possible revisions of promotional and credit policies such as an increase or decrease in advertising expenditures . . .

2. Shifts made in the location or size of space occupied by particular departments or in the arrangement of their physical facilities.

3. Addition of new merchandise lines.

4. Possible expansion of parking facilities for customers.

5. Change in store hours, particularly night and Sunday openings.

6. Opening of new stores and branches, or the modernization of existing ones, and the effect of such actions on the "parent" store or other company stores' operation in the area (p. 270).

<u>Accounting and Control</u>

Accounting and control was defined as "the activities involved in keeping adequate financial records and preparing the balance sheet and cash flow for a small apparel store" (LeGrand, 1978, p. 5). In research conducted by LeGrand (1978, p. 34), 19 percent of responding merchants indicated that keeping adequate merchandise records was a definite problem. The cost of using an outside accountant is perceived to be a major concern by 15 percent of the responding merchants.

In order to more effectively process the records necessary to efficiently operate a small business, increasingly large numbers of small companies are adopting computer-based methods. Today this is possible because of the development of small, low-priced computers, and by the establishment of computer service facilities.

For the small retailer, data-processing is very useful. Data in the form of raw facts and figures can be summarized to provide more useful information to base decisions and actions upon. "It is generally true to say that the main problems in the office of a small company are those of handling the paperwork and, at the same time, deriving as much useful information as possible from it" (Clifton, 1975, p. 3).

"Another aspect of efficiency is the speed of thorough work" (Clifton, 1975, p. 36). Speed is often essential in the preparation of management reports and planning information. The speed of computers allows management to receive on-time information that is a true representation of the situation (Clifton, 1975).

The main limitation to small retailers is the cost of computers. Not only is monthly rental high, but site alterations often must be made before the machine is delivered. Other costs support expenditures and personnel costs (Caly, 1971).

Buying and Merchanding

Buying and merchandising was defined as "the activities involved in the planning, procuring, and controlling of merchandise for the small apparel store" (LeGrand, 1978, p. 6). LeGrand (p. 37) found that the largest percentage (39%) of apparel merchants perceived that returning inferior or damaged merchandise was a major concern in buying and merchandising. Two other definite problems included delays in receiving merchandise ordered at market (24%), and buying small quantities of merchandise (20%).

Kincaid (1980) investigated merchandise procurement problems and vendor performance in relation to apparel stores. The procurement problems of apparel retailers were identified pertaining to the extent to which problems are experienced due to merchandise not received as ordered, communications with vendors, terms of purchase, return authorization from manufacturers, and merchandise orders.

The procurement problem of merchandise not received as ordered was identified as often a problem by 86 percent of the participants in the Kincaid study. Lack of communication between the apparel retailer and the manufacturer was indicated as often a problem by 38 percent of the respondents. In terms of purchase, 43 percent of the participants considered receiving cash for credit balance due to returns to often be a problem. Problems with return authorization from manufacturers was recognized as a problem by 35 percent of the respondents in regard to defective or damaged merchandise (Kincaid, 1980).

Operations and Management

Wingate and Sampson (1968, p. 135) defined operations and management as the activities involved in the direction and control of various factors associated with the physical handling of goods, protection and service to customers, purchasing supplies, maintenance of the store, and the handling of employees for small apparel stores. In research conducted by LeGrand (1978, p. 39), hiring employees who are creative sales people was considered a definite problem by 37 percent of the respondents. Competing with bigger retailers was also considered a definite problem by 31 percent of the retailers.

Ineffective management was cited as the underlying cause of 98 percent of small business failures (Baumback and Lawyer, 1979). In a small store, the owner or manager may be in charge of all personnel.

> Poor management was attributed to the owners' lack of experience in the business; lack of management experience or know-how; or unbalanced management training or experience, i.e., knowledge or experience, not well rounded in sales, finance, purchasing, and production. Ineffective management was evidenced by inadequate sales, lack of a need for the business in the area selected, overextension of credit, inventory problems, competitive weakness, excessive fixed assets, lack of adequate expense controls, and other conditions (Baumback and Lawyer, 1979, p. 20).

It is necessary for the small store owner to stay current on practices and trends in personnel management. The small firm owner needs the personal qualities which are an asset in working with customers, employees, and vendors. A strong motivation to independently succeed is essential (Schwartz, 1977).

"Small firms have the advantage of better internal communication between management and employees, but they must turn to scientific personnel administration if they want to grow" (J. K. Lasser Tax Institute, 1974, p. 208). Direct personal contact with employees is essential for small business owners. The knowledge, experience, and imagination of employees can keep a small company manager in touch with customers.

Advertising and Promotion

Advertising and promotion has been defined as the activities involved in the selection, presentation, and promotion of ideas, goods, and/or services for small apparel shops (LeGrand, 1978). Respondents in the research conducted by LeGrand (1978, p. 53) indicated that measuring the selling power of advertising and keeping accurate records of advertising results was of major concern. Deciding what to advertise in the newspaper was also indicated as a problem by half of the merchants responding.

"All businesses engage in some form of sales promotion activity" (Winders and Goodman, 1978, p. 12). The necessity for selling in every medium and from every vantage point to reach customers is accepted as a fact of retail business life. The coordination of sales promotion activities is a vital function of small business owners. Sales promotion is especially important as competition becomes more keen. "As business becomes more competitive, and customers become more selective, firms are using an increasing variety of public information media to promote through advertising and publicity" (Winters et al., 1978, p. 12).

Owner Satisfaction

Dalyrymple and Thompson (1969) recommended including the store owner's evaluation of the total situation in terms of an increasing concern for self-fulfillment. "What is really important is the individual's ability to develop a life style for himself" (Dalrymple and Thompson, 1969, p. 47). Monetary conditions may not be the only relevant measure.

Preston and Collins (1966, p. 154) also stressed "the overwhelming importance of the qualitative dimension" as ultimate appraisal criteria. These authors suggested extending the criteria for analyzing market efficiency beyond financial standards. The retail operation "cannot reasonably be appraised in terms of market or economic activity alone" (Preston et al., 1966, p. 154).

Apparel Stores

"Annually, Americans spend more than $70 billion expressing themselves through dress" (Cingolani and George, 1978, p. 1). After food, shelter, and transportation, the biggest percentage of the average family's budget goes to clothing. Clothing purchases "equal to seven percent of total consumer expenditures" (Cingolani and George, 1978, p. 1).

According to Greenwood and Murphy (1978, p. 219), "Although fashion is big business at the retail level, small specialty stores through the country account for a significant portion of the sales of fashion goods." In America, there are over 129,000 apparel stores attempting to satisfy consumer needs and wants (Cingolani et al., 1978, p. 1).

However, "in 1979 retail openings slowed 12 percent from 1978" (Dun and Bradstreet, 1980, p. 6). In 1979, apparel stores had a seven and one-half percent increase in failure rates. The steepest decline in openings were of women's and misses' stores. The failure rate for women's wear ranked fourth highest, 38 per 10,000 operating firms in 1979 (Dun and Bradstreet, 1980).

Research Techniques

In order to achieve the purposes of the study, selected research techniques were utilized. The following literature was considered in designing the methodology for the study.

Case Study Method

The case study technique was used by the researcher to gather data about a carefully selected sample of subjects. An intensive study is made of a limited number of representative cases. A case study is narrow in scope but exhaustive (Van Dalen, 1979, p. 295).

> What the investigator ordinarily aims at in the case study is not only a thorough description of the individual or group under scrutiny but also the identification of the principal causes leading up to the individual's or group's present status. By analyzing very carefully all the data which can possibly have a bearing upon the present status of the subject, reasons for it (as well as the exact nature of it) may sometimes, though not always, be discovered. Of course, the investigator, having turned up all the significant facts regarding the subject's development and status, may correct an undesirable condition (Hillway, 1964, p. 240).

Heron (1975, p. 460) summarizes the writing of a case study as "usually written in the form of a short story focusing on a single incident, problem, or situation." The researcher should decide what can be done under existing circumstances and plan solutions. "Thus the case study is a problem solving process with emphasis on realistic issues" (Herron, 1975, p. 460). The case study technique was selected by the writer due to the confidential nature of the data needed to assess the efficiency of small apparel stores.

Interview Technique

One of the most common and effective methods of obtaining necessary data is the personal interview. "The interview is often superior to other data-gathering devices. One reason is that people are usually more willing to talk than write" (Best, 1977, p. 182). The interview technique is generally effective when the necessary data to be collected is of a personal nature. In consulting with small business owners and managers "strong emotional elements are often apparent"

(Bruckman and Iman, 1980, p. 42). Trust and understanding between the researcher and the interviewee is essential. "The interviewee must be able to assure the subject that his responses will be held in strict confidence" (Best, 1977, p. 183). The interview method was selected by the writer due to the confidential nature of the problem and financial records of small store owners.

Delphi Type Process

"Delphi essentially refers to a series of intensive interrogations of samples of individuals" (Cyphert and Gant, 1970, p. 121). The responses from questioning are gathered by an intermediary who summarizes and returns the information to each participant. Information and opinions may be revised by participants through the research process. The Delphi technique employs repeated rounds of questioning which "can be highly motivating in that feedback can be novel and interesting to all" (Dalkey, 1969, p. 17). "The Delphi technique can simplify the task of identifying and ranking needs and priorities" (Cyphert and Gant, 1970, p. 121). The Delphi-type process was used by the researcher to allow for the identification and ranking of information from small store owners.

Related Research

Previous research at Oklahoma State University included a project entitled, "Instructional Materials for Adult Entrepreneurship of Apparel Shops" (Greenwood, Callsen, and Mott, 1978) which was funded by the United States Office of Education. The director of the project was Dr. Kathryn M. Greenwood, with Dr. Margaret Callsen and Dr. Dennis

Mott acting as co-directors. Existing problems of small apparel stores were identified in the research project. Based on the findings, learning packets were developed and evaluated for the purpose of providing assistance to apparel shop entrepreneurs.

A research project entitled, "An Analysis of Economic and Other Factors Which Impact on the Efficiency of Retail Apparel Businesses" (Greenwood, 1980) was proposed by Dr. Greenwood for funding by the Small Business Administration in July, 1980. The proposed research hypothesized the relationship between retail performance and certain variables classified as financial and problematic. The variables were proposed in an efficiency model. The model developed in the research proposal was utilized by the researcher as a basis for the study.

In addition to the LeGrand (1978) and Kincaid (1980) research previously discussed in the literature, other projects to assist small retailers have been ongoing at Oklahoma State University. Strickland (1979) developed and evaluated learning guides for use by small retailers in the development of selected merchandise plans. Kendrick (1980) developed and evaluated learning guides to aid small retailers in the development of effective inventory control systems. The learning guides were utilized in the American Fashion Association Pre-Market Workshop in the Dallas Apparel Mart on May 24, 1979. Reactions from the workshop participants were analyzed and revisions were made. Suggestions for future workshops were made by the participants, including advertising, promoting, and selling apparel.

As a graduate research assistant, the researcher participated in the Retailers' Workshop in the Dallas Apparel Mart on August 21, 1980. Data regarding the 100 small store owners present at the workshop was collected and analyzed by the researcher. The small store owners surveyed were located in towns with populations below 50,000 (79%), had annual sales volumes under $300,000 (85%), employed two or fewer full-time (69%) or part-time (64%) salespeople, and had been in business less than four years (71%). The store owners indicated the workshop information was helpful and stimulating (94%).

Fifty-nine percent of the retailers agreed to participate in a follow up study in order to ascertain what changes, if any, should be made related to inventory control systems and seasonal merchandise planning. The majority of the retailers contacted were not satisfied with systems used prior to attending the workshop, and had made some changes since attending the workshop. All the retailers contacted had incorporated some aspect of the workshop in their own stores.

CHAPTER III

RESEARCH PROCEDURES

The purpose of the study was to investigate financial, problematic, and ownership satisfaction factors impacting on the efficiency of a selected group of apparel stores and to make recommendations for a model which could be used to assess the efficiency of small apparel stores. The three objectives of the study were: 1) to identify financial, problematic, and ownership factors present in selected small apparel stores that have been in existence less than five years; 2) to analyze the efficiency of selected small apparel stores in relation to key financial ratios and problems identified in the four functional areas of retailing; and 3) to make recommendations for a model which could be used to assess the efficiency of small apparel store operation including suggestions for improving the efficiency of small stores during the first five years in business. The procedures used to achieve the objectives of the study were organized in the following categories: 1) selection of stores; 2) development of a model; 3) collection and analysis of data; and 4) recommendations and suggestions.

Selection of Stores

The selection of small apparel stores for the purpose of the study was based on a sample of convenience. Seven stores were identified which met the following criteria: 1) stores had been in operation more than one year but less than five years; 2) stores were speciality shops carrying only women's apparel and accessories; 3) stores were located within a 70-mile radius of Stillwater, Oklahoma; 4) the store owner had only one shop in operation; and 5) store owners were willing to make financial data available.

Telephone conferences were held with each of the seven retailers in order to determine the willingness to participate in the study. One store had recently opened a second shop and one store owner was not available; therefore, both were eliminated for the purpose of the study. The remaining five retailers were considered eligible to participate in the study. As a result of the Pre-Interview Questionnaire discussed later in the chapter, four of the five eligible store owners were utilized in the collection of data for the study.

Development of a Model

As discussed in the literature, an efficiency model included in the research proposal entitled, "An analysis of Economic and Other Factors Which Impact on the Efficiency of Retail Apparel Businesses" was utilized as a basis in the development of a model. A tentative model was developed utilizing ideas from research reported in the literature. The financial ratio section was based on recommendations of Dalrymple and Thompson (1969) that economic, labor, and utility efficiency be used to measure the efficiency of small businesses. The ownership satisfaction level was suggested as a qualitative measure impacting on small shop efficiency (Dalyrmple and Thompson, 1969). As discussed in the literature, previous research at Oklahoma State University entitled, "Instructional Materials for Adult Entrepreneurship of Apparel Shops" (Greenwood, Callsen, and Mott, 1978) was utilized to develop the problematic section of the model.

Through the research proposal, existing problems of small apparel stores became apparent. LeGrand (1979) formulated questions related to the four functional areas of retailing: accounting and control; buying and merchandising; operation and management; and advertising and promotion in order to study the problems of apparel retailers. Kincaid (1980) studied the merchandise procurement problems of retailers. The financial ratio and problematic areas were utilized in the development of the efficiency model for use in the study. The tentative model was used as a guide in the collection and analysis of data and was included in Appendix A.

Collection and Analysis of Data

The case study technique described in the literature was utilized in the collection and analysis of data. The delphi-type process incorporated a series of three interviews with the owner of each store. The second interview was taped in order that the researcher could review the session as needed throughout the analysis process. A schematic presentation of the collection and analysis of data was included in Figure 1.

Pre-Interview Activities

A pre-interview questionnaire was designed based on information pertaining to the efficiency of small stores reviewed in the literature. Included in the Pre-Interview Questionnaire were questions pertaining to the background of the owner, history of the store, ownership

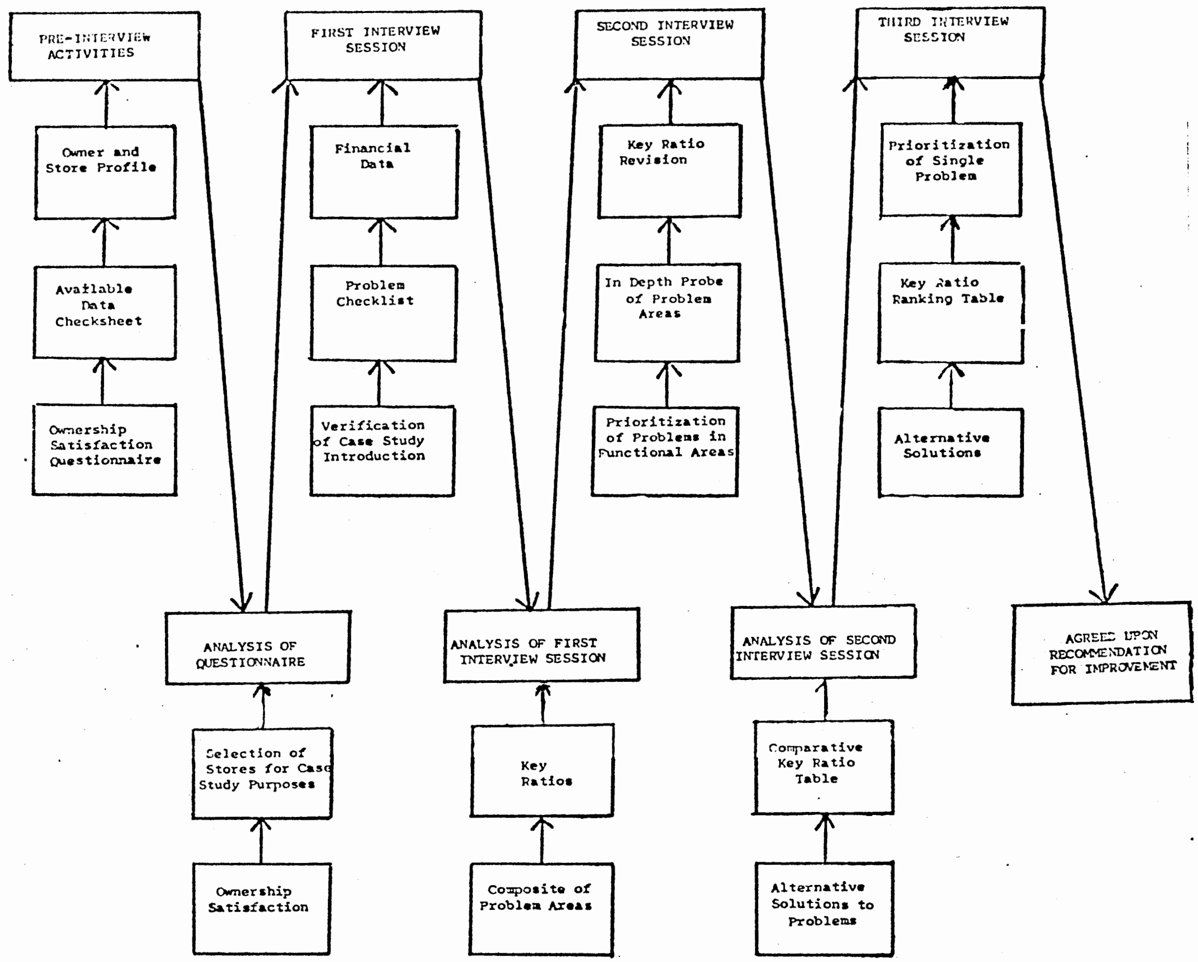

Figure 1. Schematic Presentation of the Collection and Analysis of Data

satisfaction and financial data available. The Pre-Interview Questionnaire included in Appendix B was mailed to the five eligible retailers. Replies to the five Pre-Interview Questionnaires were reviewed by the researcher. Based on availability of data, willingness to participate in the study, and criteria previously listed, four of the five apparel shop owners were selected for the case studies. The owner of one store was not willing to provide the data needed for financial analysis and had not been in business one year and therefore, was eliminated from the study. The four stores selected represented two towns with populations under 50,000 and two cities with populations over 200,000. All four stores were within a 70 mile radius of Stillwater, Oklahoma, and had been in business more than one year but less than five years. Each store carried only women's apparel and accessories.

The information provided in the Pre-Interview Questionnaire was analyzed for each of the four stores. The Store and Owner Profile information from each of the four stores was studied and an introduction to each case study was prepared. The Available Data Checksheets from each store were reviewed to determine the data and information obtainable from each store.

The Ownership Satisfaction Questionnaire was analyzed in order to determine the general satisfaction level of each store owner. Assessment of ownership satisfaction was based on a continuum utilized to measure the extent to which store owners were generally satisfied with the retail operation. The five response options were tabulated as definitely true, somewhat true, undecided, somewhat false, and definitely false. A point system was used to determine the ownership satisfaction score for each store owner. An example of the points allocated to each response option was presented below:

DT:	Definitely True	= Five Points
ST:	Somewhat True	= Four Points
U:	Undecided	= Three Points
SF:	Somewhat Fals	= Two Points
DF:	Definitely False	= One Point

All statements, with the exception of #3, #15, #16, and #17, received a score of five points when answered as definitely true and a score of one point when answered as definitely false. Questions #3 and #15 were stated in such a way that a response of definitely false indicated a high level of satisfaction. Questions #16 and #17 were scored highest when both received the same response from store owners. The higher scores indicated a higher general level of satisfaction.

Telephone conferences were held with each of the four retailers and the first interview sessions were scheduled. Prior to the first interview, a tentative interview schedule was prepared which included the Available Data Form and the Tentative Problem Checklist. The Available Data Form was prepared based on the information that each retailer previously indicated was available. The Problem Checklist utilized in the LeGrand (1978) study was revised to include additional problems found in the review of literature. An experienced retailer in the Stillwater area reviewed the tentative interview schedule and made suggestions regarding the content and terms included. The interview forms were revised based on the suggestions made by the experienced retailer. The revised interview forms were reviewed by the experienced retailer for final clarification of questions and format. Further revisions were then made by the researcher. The revised interview schedule and the forms utioized during the first interview session were included in Appendix C.

First Interview Session

One of the purposes of the first interview session was to collect the financial data available from each store. The researcher also obtained information involving the four problematic areas of accounting and control, buying and merchandising, operation and management, and advertising and promotion. Each retailer verified the case study introduction prepared by the researcher prior to the first interview session.

During the first interview session, the researcher obtained financial data by utilizing the balance sheet and/or income statement available from each store. Each retailer identified areas perceived as a problem using the Problem Checklist. The researcher reviewed the case study introduction prepared prior to the first interview session and revised and/or confirmed the information about each store.

Information collected in the first interview session was analyzed by the researcher. Key financial ratios were computed for each store using the formulas listed in Appendix D. Analysis of the Problem Checklist was made for each store by identifying problem areas designated by retailers. Analysis of the Problem Checklist was based on a continuum utilized to measure the number and kinds of problems store owners perceived in each of the four functional areas of retailing. The four response options were tabulated as not applicable, not a problem, somewhat a problem, definitely a problem. A point system was used to determine problematic score for each store owner. An example of the points allocated to each response option was presented below:

NA: Not Applicable = Four Points
NP: Not a Problem = Three Points

SP: Somewhat a Problem = Two Points

DP: Definitely a Problem = One Point

The higher total scores indicated fewer problem areas identified by store owners. A response of not applicable was treated as definitely not a problem since no application was perceived by the store owners.

Particular attention was given to problem areas considered most and least important to each store owner. A composite listing of the most and least important problems in each of the functional areas was summarized and was included in Appendix E. The case study introduction was reviewed by each retailer to confirm or revise the facts regarding the store history and owner background. Each store owner signed the introduction form, thus verifying the case study introduction.

Based on the problem areas identified as definitely a problem by each of the store owners in the first interview, the researcher prepared a question guide to use in probing the causes, the detailed nature, and the difficulties resulting from the problems. Internal and external factors affecting the problem areas were also reviewed in the literature and noted as a basis for discussion during the second interview session.

Problem areas identified as definitely a problem were listed by functional areas in order to be prioritized by store owners in the second interview session. A schedule and an example of information utilized in the second interview session was included in Appendix F.

Second Interview Session

The purposes of the second interview session were to discuss the key financial ratios with each store owner and to obtain additional information about the problematic areas each store owner perceived as definitely a problem in the first interview session. Each store owner was asked to prioritize one problem in each of the four functional areas of retailing.

During the second interview session, the financial ratios computed by the researcher for each store were presented to the owner. Figures utilized to compute each ratio were reviewed and confirmed or revised as additional financial information became available. Problem areas identified as definitely a problem were discussed with the store owners during the second interview session utilizing the question guide prepared prior to the second interview session. The list of problems in each functional area identified by the store owners in the first interview session was presented to the store owners. Each store owner was asked to prioritize the most important problem in each of the four functional areas.

Information collected in the second interview session was analyzed by the researcher. Key financial ratios computed for the four stores were compared. Comparison was also made with national averages established by Dun and Bradstreet (1980), the National Retail Merchants Association (1979), and the Bank of America (1978). A comparative ratio table was developed which included selected national averages and the key ratios for each store. For case study purposes, the researcher substituted the return-on-investment figure for working capital. The table of key ratios and the national figures for each store was compiled and prepared in order to discuss the financial efficiency of each store in the third interview session. Analysis of the Financial Ratio Table was based on a continuum utilized to measure the financial efficiency of each store. The more efficient ratios among the four stores were ranked. Ratios #1 - #6 and #8 - #10 were considered more efficient when comparable or higher than national averages. Ratios #7 and #11 - #13 were considered more financially efficient when comparable to or lower than national averages for purposes of the study. A point system was used to determine the financial efficiency for each store owner. An example of the points allocated to each response option was presented below:

More Efficient - Rank 1 = Four Points
Rank 2 = Three Points
Rank 3 = Two Points
Less Efficient - Rank 4 = One Point

The store owners who received the higher composite scores were considered more efficient in terms of financial ratio analysis.

Alternative solutions to the prioritized problem in each of the four functional areas were developed by the researcher as the basis for the third interview session. Procedures in developing alternative solutions included: 1) a review of literature regarding problem areas identified, including forms developed for the Small Business Administration, the Apparel Shop Entrepreneurship project, and the American Fashion Association workshop; and 2) a review of the tape made in the second interview session, with special attention paid to the responses to the in-depth questions by store owners and the formulation of tentative solutions by the researcher. The tentative solutions were reviewed by two experienced retailers, one in a city with a population over 200,000 and one in a town with a population under 50,000. Additions were made to the tentative solutions based on the suggestions obtained from the experienced retailers. A schedule and an example of information utilized in the third interview session were included in Appendix G.

Third Interview Session

One of the purposes of the third interview session was to discuss with the store owners the comparison of the national averages with the key financial ratios computed for each of the four stores. The researcher also presented the alternative solutions to the problems identified in each functional area to the store owner. Each retailer prioritized one statement as the single problem considered most important. A program of action for eliminating the problem was developed and agreed upon by the store owner and the researcher.

During the third interview session, the comparative financial ratio table developed prior to the third interview was presented by the researcher to each store owner. Financial efficiency was discussed with each store owner based on the ranking of the ratios of all four stores in relation to the national averages. Alternative solutions for prioritized problems developed prior to the third interview session were presented to store owners. Alternatives pertaining to each problem were discussed in detail with the retailer. The researcher explained numerous aids available from the Small Business Administration, the Apparel Shop Entrepreneurship project, and the American Fashion Association workshop. Each retailer prioritized the single most important problem among the four problems identified in the second interview session. The researcher and the store owner considered various strategies for eliminating the designated problem. A program of action was developed and agreed upon by the store owners and the researcher at the final interview session.

Analysis of Efficiency

The final assessment of efficiency was made based on the sum of the composite scores in the four problematic areas and the total scores based on the ranking of the financial ratios. A total efficiency score was computed for each of the four stores.

The researcher revised the tentative model used in assessing the efficiency of the four small apparel stores included in the study. Revisions were made based on the findings of the study.

CHAPTER IV

FINDINGS

The purpose of the research was to investigate certain factors impacting on the efficiency of a selected group of small apparel shops. The objectives of the study were: 1) to identify financial, problematic, and ownership factors present in selected small apparel shops which had been in business less than five years; 2) to analyze the efficiency of selected small stores in relation to key financial ratios and prioritization of problems in the four functional areas of retailing; and 3) to make recommendations for a model which could be used to assess the efficiency of small apparel shop operation including suggestions for improving the efficiency of small stores during the first five years in business. The findings of this study were organized and reported according to the following categories: description of participants; evidence of ownership satisfaction; identification of problem areas; prioritization of problems; analysis of financial ratios; assessment of efficiency; and recommendations and suggestions.

Description of Participants

The case studies developed for the purpose of the research involved four small apparel shops which had been in business less than five years. Each retailer interviewed owned one store which carried only women's apparel and accessories. A detailed description of information about each store was included in Appendix H. A summary of facts regarding each of the four stores was included in Table I. Two stores were located in Oklahoma towns with populations less than 50,000: Stillwater and Ponca City, and two were located in cities with populations over 200,000: Tulsa and Oklahoma City. Two stores were located in shopping malls and one store was located in a strip center. The remaining store was located in a downtown area.

The length of time in business ranged from three to four and one-half years and the annual sales volume ranged from approximately $138,000 to almost $330,000. The two smaller stores each had 900 square feet of selling space. The store with the largest amount of selling space had 1200 square feet. Three of the four stores carried better price lines and one carried moderate to better merchandise. Two stores were owned by men and two by women.

Evidence of Ownership Satisfaction

The ownership satisfaction section of the Pre-Interview Questionnaire contained 17 statement utilized to assess the general satisfaction level of each store owner. Responses of the apparel retailes to the ownership satisfaction statements were included in Table II. As discussed in the procedures, 13 statements received a score of five points when answered as definitely true and a score of one point when answered as definitely false. Two questions (#3, #15) were stated in such a way that a response of definitely false indicated a high level of satisfaction. Two questions (#16, #17) were scored highest when both received the same response from the store owner. The range of possibilities for total scores was 17 to 85. The higher scores indicated a higher general level of satisfaction.

TABLE I

SUMMARY OF DEMOGRAPHIC INFORMATION ABOUT THE FOUR APPAREL STORES UTILIZED FOR CASE STUDY PURPOSES

Information	Responses of Store Owners A	B	C	D
Owner	Male	Male	Female	Female
Population	Over 200,000	Under 50,000	Over 200,000	Under 50,000
Location	Shopping Mall	Downtown	Mall	Strip
Years in Business	4	4½	3½	3
Annual Sales Volume	$329,589	$300,000	$142,600	$138,476
Square Feet of Selling Space	1,000	1,200	900	900
Price Lines Carried	Better	Better	Better	Moderate-Better

TABLE II

RESPONSES OF FOUR APPAREL STORE OWNERS TO
OWNERSHIP SATISFACTION STATEMENTS

	Ownership Satisfaction Statements	A	B	C	D
1.	My retail work is interesting.	DT	DT	DT	DT
2.	I am given a lot of chances to make friends through my store.	DT	DT	DT	DT
3.	Being a small store owner makes it difficult to do the things I want to do in my spare time.	U	ST	DF	DT
4.	Owning my own store allows me to develop my own special abilities.	DT	DT	DT	DT
5.	My job allows me to do the things I do best.	ST	ST	DT	U
6.	I have enough time to get the job done.	U	ST	ST	SF
7.	In general, my job is personally rewarding.	ST	DT	DT	DT
8.	In general, I consider the store to be financially rewarding.	DT	ST	SF	U
9.	Owning my own store is professionally satisfying to me.	ST	ST	DT	DT
10.	My store allows me to develop a desirable lifestyle for myself.	DT	DT	DT	U

TABLE II (Continued)

	Ownership Satisfaction Statements	Responses of Store Owners[a] A	B	C	D
11.	My store is compatible with my family lifestyle.	DT	DT	DT	U
12.	I am satisfied with my job.	ST	DT	DT	DT
13.	Job security is important to me.	ST	DT	DT	DT
14.	My job is secure in a shaky economy.	U	DT	U	U
15.	My job in retailing creates stress.	ST	DT	ST	ST
16.	One's job should not affect one's family life.	DT	ST	ST	SF
17.	My job does not affect my family life.	DT	DT	SF	SF
	Total Points	71	73	72	63

[a]Scoring Code: DT: Definitely True = 5 Points
ST: Somewhat True = 4 Points
U: Undecided = 3 Points
SF: Somewhat False = 2 Points
DF: Definitely False = 1 Point

Store A had a total score of 71 out of 85 possible points. Eight of the 17 questions were answered as definitely true. The third highest level of satisfaction among the four stores was recorded for Store Owner A. Statements responded to positively indicated the owner felt that retail work was interesting (#1), allowed an opportunity to develop special abilities (#4), and provided opportunities to make friends through the store (#2). Store Owner A also found the small apparel shop financially rewarding (#8). Two statements suggested that Store A allowed the owner to develop a desirable lifestyle (#10), compatible with the family lifestyle (#11). Store Owner A did not feel the retail operation should affect family life (#16), and responded that the store did not affect the family's life (#17). The two answers were compatible and therefore, scored as the highest level of satisfaction. The owner of Store A indicated the lowest satisfaction level in regard to the stress involved in being a small apparel shop owner (#15).

Store Owner B had the highest total satisfaction score, 73 out of 85. Eleven of the 17 statements were answered as definitely true. A positive response was elicited from statements regarding the interesting nature of the retail work (#1), the opportunity for the owner to develop special abilities (#4), and the feeling of personal reward (#7) from the store. Two of the questions suggested that the owner of Store B had developed a desirable lifestyle (#10), compatible with the family's lifestyle (#11). Job security was considered important to the owner of Store B (#13), who considered the retail operation very secure in a shaky economy (#14). Less satisfaction was reported by the owner's response to the question about the stress created in the retail operation (#15). Difficulty in participating in desired activities during spare time (#3) also elicited a response indicating less satisfaction.

Store Owner C had a total score of 72 out of 85 possible points. Ten of the 17 questions were checked as definitely true, denoting the second highest level of satisfaction among the four stores. Personal (#7) and professional (#9) satisfaction were achieved through the store. The owner perceived the store allowed the development of special abilities (#4) and afforded opportunities to make friendships (#2). Two responses indicated that the owner of Store B had developed a desirable lifestyle (#10), compatible with the family's lifestyle (#11). A lower satisfaction level was reflected in regard to the financial rewards of the store (#8) and the stress created from being a small store owner (#15). The owner of Store C, who felt the job should not affect family life (#17), indicated that the family life was affected; therefore, the satisfaction level was considered low.

Store Owner D had a total score of 63 out of 85 possible points. Only eight of the 17 statements were perceived as definitely true, thus suggesting that the owner of Store D had the lowest level of satisfaction of the four retailers in the study. Statements pertaining to personal reward (#7) and professional satisfaction (#9) were responded to positively, indicating high satisfaction in these areas. The owner of Store D was satisfied with the job of being a small store owner (#12). However, a lower satisfaction level was suggested in regard to the use of time. Store Owner D did not have adequate time to get the job done (#6), and found it difficult to participate in desired activities during spare time. Store Owner D also indicated low satisfaction level related to stress created from being a small store owner.

Implications

The majority of the responses of the four store owners indicated a high level of ownership satisfaction. All four store owners felt that retail work was interesting in that owners were given chances to make friends through the store and that special abilities could be developed. Three of the four store owners felt the retail operation developed a desirable lifstyle for self and family members. However, all four store owners indicated that the job in retailing created stress, therefore, the satisfaction level was lower in this regard. The ownership satisfaction level for Store Owner A was slightly higher than for Store Owners B and C. Store Owner D had the lowest level of satisfaction.

Identification of Problem Areas

The Problem Checklist contained 70 problems statements organized into the four functional areas of retailing; accounting and control; buying and merchandising; operation and merchandising; and advertising and promotion. The findings in each of the four areas of the study were reported in Tables III, IV, V, and VI. A summary of the problem statements identified as definitely a problem by each store owner were included in Appendix I. As discussed in the procedures, statements perceived as definitely a problem received a score of one point. Statements designated as not a problem scored three points and those considered not applicable received a score of four points. The higher total scores indicated that fewer problem areas were identified by the store owners.

Accounting and Control

The accounting and control section of the Problem Checklist contained 13 problem statements relating to the functional area. The detailed findings were presented in Table III. The total scores range possibilities for accounting and control was from 13 to 52. The higher total scores indicated that fewer problem areas were identified by store owners.

Store Owner A had a total score of 32 out of 52 possible points, indicating fewer problems than the other three stores in the functional area of accounting and control. Store Owner A responded definitely or somewhat a problem to 7 of the 13 statements. Record keeping was the greatest problem area as reflected by the following: keeping adequate merchandise (#2) and expense (#3) records were definitely a problem. Spending too much time with various records (#5), including daily sales records (#1), were considered somewhat a problem. Responses to other problem statements indicated that Store Owner A had somewhat a problem in terms of paying monthly operation expenses (#6) and affording the selected insurance program (#11). Store Owner A responded not a problem or not applicable to 5 of the 13 statements. Statements including lack of financial experience (#7), maintaining a credit rating (#8), paying bills in time to get cash discounts (#9), and affording computer control systems (#13) were considered not a problem or not applicable by Store Owner A. Selecting an insurance program (#10) was not considered a problem.

Store Owner B had a total score of 31 out of 52 points. Seven of the 13 statements were checked as definitely or somewhat a problem, indicating that Store B has fewer problems in the area than two of the

TABLE III

RESPONSES OF FOUR APPAREL STORE OWNERS TO STATEMENTS ON THE PROBLEM CHECKLIST IN THE FUNCTIONAL AREA OF ACCOUNTING AND CONTROL

Accounting and Control Statements	Responses of Store Owners[a]			
	A	B	C	D
1. Keeping adequate daily sales records.	SP	NP	NP	SP
2. Keeping adequate merchandise records.	DP	SP	NP	SP
3. Keeping adequate expense records.	DP	NP	NP	NP
4. Affording the use of an accountant.	SP	NP	NP	DP
5. Spending too much time with the records.	SP	NP	SP	SP
6. Lack of money to pay monthly operation expenses.	SP	NP	SP	DP
7. Lack of financial experience.	NP	SP	DP	DP
8. Maintaining credit rating to borrow money when needed.	NP	SP	DP	SP
9. Paying bills in time to get cash discounts.	NP	NP	NP	SP
10. Selecting an insurance program to meet store needs.	NP	SP	NP	NP

TABLE III (Continued)

Accounting and Control Statements	Responses of Store Owners[a]			
	A	B	C	D
11. Affording selected insurance program.	SP	SP	NP	NP
12. Acquiring information on computer control systems.	NA	SP	DP	NP
13. Affording computer control systems.	NA	DP	DP	DP
Total Points	32	31	29	29

[a]Scoring Code:

NA: Not Applicable = 4 Points

NP: Not a Problem = 3 Points

SP: Somewhat a Problem = 2 Points

DP: Definitely a Problem = 1 Point

other three stores. Affording computer control systems (#13) was perceived as a definite problem and acquiring computer control information (#12) was considered to be somewhat a problem. The response to state ments on selecting (#10) and affording (#11) an insurance program to meet sotre needs revealed that these areas were also somewhat a problem for the owner of Store B. A lack of financial experience (#7), along with maintenance of a credit rating in order to borrow money when needed (#8) were also expressed as somewhat a problem for Store Owner B. Store Owner B indicated that 6 of the 13 statements were not a problem. Record keeping was not considered a problem by Store Owner B, as evidenced by responses to keeping daily sales records (#1), keeping adequate expense records (#3), and spending too much time with the records (#5). Cash flow was not considered a problem in terms of affording the use of an accountant (#4), lack of money to pay monthly operation expenses (#6), and paying bills in time to get cash discounts (#9).

Store Owner C had a total score of 29 out of 52 possible points, as did Store Owner D, indicating the greatest number of problems identified in accounting and control of the four stores. Store Owner C answered 6 of the 13 statements as definitely or somewhat a problem. Statements identified as definitely a problem included lack of financial experience (#7) and maintaining a credit rating to borrow money when needed (#8). Acquiring information (#12) and affording computer control systems (#11) were also identified as definitely a problem. Responses indicated that spending too much time with various records (#5) and a lack of money to pay monthly operation expenses (#6) were considered somewhat a problem. Store Owner C indicated that seven of the 13 statements were not a problem. Record keeping was not considered a problem by Store Owner C, as evidenced by responses to keeping adequate sales (#1), merchandise (#2), and expense (#3) records. Cash flow was not considered a problem in terms of affording the use of an accountant (#4) and paying bills in time to get a cash discount (#9). Selecting (#10) and affording (#11) insurance programs were also considered not a problem by Store Owner C.

Store Owner D received a total score of 29 out of 52 possible points, one of the two lower scores in the accounting and control area. Nine of the statements elicited a reply of definitely or somewhat a problem. Financial statements identified as definitely a problem by Store Owner D included: lack of financial experience (#7), lack of money to pay monthly operation expenses (#6), and affording the use of an accountant (#4). Additional financial statements considered to be somewhat a problem included paying bills in time to receive cash discounts (#9) and maintaining a credit rating to borrow money when needed (#8). Spending too much time with records (#5), including daily sales records (#1) and merchandise records (#3), were also considered somewhat a problem.

Store Owner D indicated that 5 of the 13 statements were not a problem or not applicable. Selecting (#10) and affording (#11) an insurance program was not considered a problem, as was acquiring computer information (#12). Affording computer control systems (#13) was considered not applicable by Store Owner D.

Implications

Spending too much time with various records including sales, merchandise, and expense records was considered definitely a problem by the four store owners. Statements involving cach flow considered a problem by store owners included a lack of money to pay operation expenses and maintenance of a credit rating to borrow when needed. Lack of financial experience was perceived as a problem by three of the four retailers. Two store owners desired information on computer control systems and indicated that affording computer control systems was a problem. Two statements, paying bills in time to get cash discounts and selecting an insurance program to meet stores needs, were not considered a problem by three of the four store owners. The two stores (A and B) with the largest sales volume had fewer problems in regard to accounting and control than the two smaller stores. Store Owner A, one of the two larger stores in terms of dollar sales volume and square footage, had the highest composite score in the area of accounting and control.

Three problems identified by women's apparel merchants in the LeGrand (1978) study corresponded to those designated by at least three of the four retailers in the case studies. LeGrand reported that a number of women's apparel merchants had problems keeping merchandise records, expense records, and spending too much time with records.

Buying and Merchandising

The buying and merchandising section of the Problem Checklist contained 25 problem statements. Detailed findings were reported in Table IV. Possible total scores ranged from 25 to 100, the higher scores indicating fewer problems identified by store owners.

Store Owner A had a composite score of 51 out of 100 possible points, answering 18 of the 25 statements as definitely or somewhat a

TABLE IV

RESPONSES OF FOUR APPAREL STORE OWNERS TO STATEMENTS
ON THE PROBLEM CHECKLIST IN THE FUNCTIONAL AREA
OF BUYING AND MERCHANDISING

Buying and Merchandising Statements	Responses of Store Owners[a]			
	A	B	C	D
1. Obtaining resources wanted in the Dallas Market.	SP	NP	NP	NP
2. Knowing how to place an order with a vendor.	NP	SP	NP	NP
3. Having adequate time to survey resources at market.	DP	SP	NP	SP
4. Buying small quantities of merchandise	SP	NP	SP	NP
5. Planning merchandise delivery dates.	SP	NP	DP	SP
6. Planning merchandise completion dates.	SP	NP	DP	DP
7. Checking in merchandise received.	NP	NP	NP	NP
8. Delays in receiving merchandise ordered.	DP	SP	SP	DP
9. Returning inferior or damaged merchandise to resources.	DP	NP	NP	DP
10. Planning the OTB for each season.	DP	SP	NP	NP
11. Knowing the best resources from whom to buy.	DP	SP	SP	NP

TABLE IV (Continued)

Buying and Merchandising Statements	Responses of Store Owners[a] A	B	C	D
12. Knowing the best styles to buy for each season.	DP	SP	SP	NP
13. Knowing when to reorder merchandise.	SP	SP	SP	NP
14. Keeping a balanced merchandise assortment in the store.	SP	SP	SP	SP
15. Keeping new, fresh merchandise in the store.	SP	SP	NP	DP
16. Merchandise soilage caused by customer handling.	SP	NP	NP	SP
17. Supervising use of dressing rooms by customers.	NP	NP	NA	NP
18. Knowing when to markdown merchandise.	SP	SP	NP	DP
19. Clearing obsolete merchandise at promotional activities.	NP	NP	NP	DP
20. Obtaining a jobber to clear obsolete merchandise.	NP	NP	NP	DP
21. Selling merchandise carried over from last year.	NA	NP	NA	DP
22. Deciding how to arrange physical facilities	SP	SP	SP	NP

TABLE IV (Continued)

Buying and Merchandising Statements	Responses of Store Owners[a] A	B	C	D
23. Developing good communications with manufacturers.	NP	NP	NP	NP
24. Receiving return authorization from manufacturers.	SP	SP	NP	SP
25. Receiving cash for credit balance due to returns.	DP	DP	DP	DP
Total Points	51	61	64	52

[a]Scoring Code:

NA: Not Applicable = 4 Points

NP: Not a Problem = 3 Points

SP: Somewhat a Problem = 2 Points

DP: Definitely a Problem = 1 Point

problem. Store Owner A scored the lowest in the buying and merchandising area, denoting the greatest number of problems identified among the four stores. Four statements involving the procurement of merchandise (#3, #10, #11, #12) were identified as definitely a problem by Store Owner A. The remaining three responses indicated a definite problem in regard to shipment (#8) and return (#9, #25) of merchandise to manufacturers. Five additional statements which elicited a response of somewhat a problem dealt with vendors (#1, #4, #5, #6, #24). Once merchandise was received by the store, reorders (#13), balanced assortments (#14), markdowns (#18), and arrangements of facilities (#22) were also considered somewhat a problem. Keeping new, fresh merchandise in the store (#15) and controlling soilage due to customer handling were also identified as somewhat a problem by Store Owner A. Store Owner A indicated that 7 of the 25 statements were not a problem or not applicable. Statements involving communications with vendors (#23) and placing orders with vendors (#2) were designated as not a problem. Two statements regarding checking (#7) and supervising merchandise (#17) were not considered to be a problem. Two statements concerned with obsolete merchandise (#19, #20) were not perceived as a problem by Store Owner A.

Store Owner B had the second highest total score, 61 out of 100 possible points, indicating fewer buying and merchandising problems than two of the other three stores. Thirteen of the 25 statements were reported to be definitely or somewhat a problem. The single problem statement Store Owner B identified as definitely a problem was concerned with the receipt of cash for credit balance from manufacturers due to returns (#25). However, 12 statements were regarded as somewhat a problem which included areas involving procurement of merchandise (#2, #3, #10, #11, #12) and problems after the merchandise had been ordered (#8, #14, #15, #18, #22). Once merchandise has been received in the store, knowing when to reorder (#13) was also considered to be somewhat a problem by Store Owner B. Store Owner B indicated 12 of the 25 statements were not a problem. Five statements involving merchandise decisions (#1, #4, #5, #6, #23) were not considered to be a problem. Once merchandise has been received in the store four problem statements (#7, #9, #16, #17) were designated as not a problem by Store Owner B. Problem statements regarding obsolete merchandise (#19, #20, #21) were not considered a problem.

Store Owner C received the highest score of the four stores, a total of 64 out of 100 possible points, indicating the fewest number of problems identified. Store Owner C responded definitely or somewhat a problem to 10 of the 25 statements. Planning merchandise delivery dates (#5) and completion dates (#6) were considered to be definitely a problem. Receiving cash for credit balance from manufacturers due to returns (#25) was also considered a definite problem by Store Owner C. Store Owner C identified buying small quantities (#4), knowing the best resources (#11), and knowing the best styles (#12) as somewhat a problem. Delays in receiving the merchandise ordered (#8) was also considered to be somewhat a problem. Balancing assortments (#14) and arranging facilities (#22) were indicated as somewhat a problem. Reordering merchandise (#13) was also considered somewhat a problem. Store Owner C indicated that 13 of the 25 statements were considered not a problem or not applicable. Six statements involving merchandise procurement (#1, #2, #3, #7, #10, #23) were not considered as relating to problems. Receiving return authorization and returning inferior or damaged merchandise (#9) were also designated as not a problem. Problem statements regarding merchandise in the store (#15, #16, #17, #18) were perceived as not a problem or not applicable by Store Owner C. Obsolete merchandise (#19, #20, #21) was not considered as a problem by Store Owner C.

Store Owner D had a total score of 52 out of 100 possible points, answering 14 of the 25 statements as definitely or somewhat a problem. Store Owner D ranked third in the buying and merchandising area, having more problems than two of the other three stores. Problem statements considered to be definitely a problem invovled receipt (#6) and return (#9, #25) of merchandise. Marking down (#18), clearing obsolete merchandise at promotions (#19) or through a jobber (#20), and selling merchandise carried over from last year (#21) were considered definitely a problem. Keeping new, fresh merchandise in the store (#15) was considered a definite problem also by Store Owner D. Three statements involving resources (#3, #5, #24) were considered somewhat a problem. Keeping a balanced assortment (#14) and soilage caused by customer handling (#16) were also considered as somewhat a problem. Store Owner D indicated that 11 of the 25 statements were not considered a problem. Eight statements involving merchandise procurement (#1, #2, #4, #10, #11, #12, #13, #23) were designated as not a problem. Once merchandise has been ordered, checking in merchandise (#7) and supervising the use of dressing rooms (#17) were considered not a problem. Deciding how to arrange physical facilities (#22) was not considered a problem by Store Owner D.

Implications

Definite problem areas for all four store owners related to keeping a balanced merchandise assortment and receiving cash for credit balance from manufacturers due to returns. Statements considered as not a problem or not applicable by all four retailers included checking in merchandise received, supervising use of dressing rooms by customers, and developing good communications with manufacturers. Three of the four store owners designated that clearing obsolete merchandise and obtaining a jobber were not a problem; however, one retailer considered the two statements as definitely a problem. Obtaining resources in the Dallas market and knowing how to place an order with a vendor were not perceived as a problem by three of the four retailers. Store Owners B and C had fewer problems than Store Owners A and D in regard to buying and merchandising. Store Owner C, one of the two smaller stores in terms of dollar sales volume and square footage, had the highest composite score in the area of buying and merchandising.

Only one problem identified in the LeGrand (1978) study corresponded with statements perceived by at least three of the four retailers in the case studies. Keeping a balanced merchandise assortment was reported as a problem by the majority (63%) of the women's apparel merchants in the LeGrand study. The greatest number of total problems were reported in the buying and merchandising area by LeGrand, and by the four merchants in the case studies.

Operation and Management

The operation and management section of the Problem Checklist contained 15 problem statements relating to the functional area. Detailed scoring was included in Table V. Operations and management total score possibilities ranged from 15 to 60, the higher scores indicating fewer problems identified by store owners.

Store Owner A had the lowest composite score of 36 out of 60 possible points, as did one other store. Six of the 15 statements were identified as definitely or somewhat a problem by Store Owner A. Statements regarding employees identified as definitely a problem included: hiring employees who are creative (#7); finding time for store meetings (#9); and keeping employees aware of what is happening in the store (#8). Store Owner A identified competing with bigger retailers (#1) and staying current on practices and trends in personal management (#15) as additional areas considered to be somewhat a problem. Nine of the 15 statements did not related to problems, according to Store Owner A. Two statements involving store policies (#4, #14) were not considered to be a problem. Loss of merchandise through internal (#11) and external (#12) theft were not considered a problem. Other statements not perceived as problems included maintaining good relations with other retailers (#2), spending too much money on fixtures (#3), keeping records on employee wages and salaries (#6), having enough sales help at peak hours (#10), and providing adequate parking facilities (#13).

Store Owner B revealed 5 of the 15 statements to be somewhat a problem, receiving a total score of 40 out of the 60 possible points, the second highest total score. No statements were considered a definite problem by Store Owner B. Two statements considered somewhat a problem involved hiring (#7) and informing (#9) salespeople. Maintaining good relationships with other retailers (#2), providing adequate parking facilities (#13), and staying current on practices and

TABLE V

RESPONSES OF FOUR APPAREL STORE OWNERS TO STATEMENTS ON THE PROBLEM CHECKLIST IN THE FUNCTIONAL AREA OF OPERATION AND MANAGEMENT

Operation and Management Statements	Responses of Store Owners[a]			
	A	B	C	D
1. Competing with bigger retailers.	SP	NP	SP	NP
2. Maintaining good relationships with other retailers.	NP	SP	NP	NP
3. Spending too much money on fixtures.	NP	NP	NP	NP
4. Maintaining store policies on returns and adjustments.	NP	NP	NP	NP
5. Arranging for alterations for customers.	DP	NP	NP	NP
6. Keeping records on employee wages and salaries.	NP	NP	NP	NP
7. Hiring employees who are creative salespeople.	DP	SP	DP	NP
8. Keeping employees aware of what is heppening in the store.	DP	NP	SP	NP
9. Finding time for store meetings to inform salespeople.	DP	SP	DP	NP
10. Having enough sales help at peak hours.	NP	NP	DP	NP

TABLE V (Continued)

Operation and Management Statements	Responses of Store Owners[a] A	B	C	D
11. Loss of merchandise through internal theft.	NA	NP	NA	NP
12. Loss of merchandise through external theft.	NP	NP	NP	NP
13. Providing adequate parking facilities.	NP	SP	NP	NP
14. Changing store hours.	NP	NP	NP	SP
15. Staying current on practices and trends in personnel management.	SP	SP	DP	SP
Total Points	36	40	36	43

[a]Scoring Code:

NA: Not Applicable = 4 Points

NP: Not a Problem = 3 Points

SP: Somewhat a Problem = 2 Points

DP: Definitely a Problem = 1 Point

trends in personal management (#15) were perceived as somewhat a problem. Store Owner B indicated 10 of the 15 statements did not relate to problems. Three statements involving employees (#6, #8, #10) were considered not a problem. Loss of merchandise through internal (#11) and external (#12) theft were not perceived as a problem. Three problem statements regarding store policies (#4, #5, #14) were not considered to be a problem by Store Owner B. Other statements designated as not a problem by Store Owner B included competing with bigger retailers (#1) and spending too much money on fixtures (#3).

Store Owner C, along with Store Owner A, had a total score of 36 out of 60 possible points, indicating the largest number of problems in the area of operation and management. Store Owner C answered 6 of the 15 statements as definitely or somewhat of a problem. Store Owner C perceived that staying current on practices and trends in personal management (#15) was considered definitely a problem. Problem areas involving employees designated as definitely a problem included: hiring employees who are creative salespeople (#7); finding time for store meetings to inform salespeople (#9); and having enough sales help at peak hours (#10). Keeping employees aware of what is happening in the store (#18) was identified as somewhat a problem. Store Owner C also identified competing with bigger retailers as somewhat a problem (#1). Store Owner C indicated 9 of the 15 statements were not related to problems or were not applicable. Store policies were not considered a problem, as evidenced by three problem statements (#4, #5, #14). Loss of merchandise through internal (#11) and external (#12) theft was considered not a problem or not applicable by Store Owner C. Four statements also considered not a problem included maintaining good relationships with other retailers (#2), spending too much money on fixtures (#3), keeping records on employee wages and salaries (#6), and providing adequate parking facilities (#13).

The owner of Store D had the highest composite score, a total of 43 out of 60 possible points, indicating the fewest number of problems identified in the area of the four stores. No statements were considered as relating to definite problems by the owner of Store D. Two statements identified as somewhat a problem were changing store hours (#14) and staying current on practices and trends in personnel management (#15). The remaining 13 problem statements were not considered as problems by the owner of Store D.

Implications

Staying current on practices and trends in personnel management was identified as definitely or somewhat a problem by all four retailers. Hiring employees who are creative salespeople was identified as definitely or somewhat a problem by three of the four store owners. Fewer statements were identified as definitely a problem by all four retailers, compared to the other three functional areas. Two retailers did not identify any statements as definitely a problem in the area of operation and management. Problem statements not considered as problems or not applicable by all four store owners included: spending too much money on fixtures, maintaining store policies on returns and adjustments, keeping records on employee wages and salaries, and loss of merchandise through internal and external theft. Three of the four retailers considered maintaining good relationships with other retailers, arranging for customer alterations, providing adequate parking facilities, and changing store hours as not a problem. Store Owners B and D had fewer problems in regard to operation and management than the other two stores. Store Owner D, one of the two smaller stores in terms of dollar volume and square footage, had the highest composite score in the area of operation and management.

Only one problem area identified by women's apparel merchants in the LeGrand (1978) study corresponded to those designed by at least three of the four retailers in the case studies. Hiring employees who are creative salespeople was considered a problem (60%) by the apparel merchants in the LeGrand study.

Advertising and Promotion

The fourth section of the Problem Checklist contained 13 problem statements relating to the functional area of advertising and promotions. Detailed findings were included in Table VI. Total advertising and promotion score possibilities ranged from 13 to 52, the higher scores indicating fewer problem areas identified by store owners.

Store Owner A had the second highest total score, 26 out of 52 possible points, ranking second in terms of fewer problems identified in the area of advertising and promotion. The owner of Store A answered 10 of the 13 statements as definitely or somewhat a problem. Reaching potential customers (#7) and conveying the desired store image (#8) were considered definitely a problem. Keeping advertising records (#12) and measuring the selling power of advertising (#9) were also designated as definitely a problem. Allocating enough money for the advertising budget (#5) was identified as definitely a problem by Store Owner A. Planning promotional activities (#6),

TABLE VI

RESPONSES OF FOUR APPAREL STORE OWNERS TO STATEMENTS ON THE PROBLEM CHECKLIST IN THE FUNCTIONAL AREA OF ADVERTISING AND PROMOTION

Advertising and Promotion Statements	Responses of Store Owners[a]			
	A	B	C	D
1. Deciding what to advertise in the newspaper.	SP	SP	DP	SP
2. Deciding when to use radio advertising.	SP	NP	DP	SP
3. Deciding where to distribute hand bills.	NA	NP	DP	NA
4. Deciding where to locate billboards.	NA	NP	NA	NA
5. Allocating enough money for advertising budget.	DP	SP	DP	SP
6. Planning special promotional activities.	SP	SP	DP	SP
7. Reaching potential customers through advertising.	DP	SP	SP	SP
8. Conveying the store image to the community.	DP	NP	SP	SP
9. Measuring the selling power of advertising.	DP	SP	DP	DP

TABLE VI (Continued)

Advertising and Promotion Statements	Responses of Store Owners[a] A	B	C	D
10. Keeping attractive interior merchandise arrangements.	SP	NP	SP	NP
11. Keeping display windows changed.	NP	NP	SP	NP
12. Keeping accurate records of advertising results.	DP	SP	DP	DP
13. Deciding on location of merchandising on sales floor.	SP	NP	NP	NP
Total Points	26	33	22	31

[a]Scoring Code:

NA: Not Applicable = 4 Points

NP: Not a Problem = 3 Points

SP: Somewhat a Problem = 2 Points

DP: Definitely a Problem = 1 Point

deciding what to advertise in the newspaper (#1) and radio (#2) were considered somewhat a problem. Keeping attractive interior arrangements (#10) and decisions on location of merchandise on the sales floor (#13) were also considered somewhat a problem by Store Owner A. Store Owner A indicated that 2 of the 13 statements were not a problem or were not applicable. Keeping display windows changed (#11) was not considered a problem. Deciding where to distribute handbills (#3) was not considered applicable.

Store Owner B received the highest total score of the four stores in the advertising and promotion area. Store Owner B had a composite score of 33 out of 52 possible points. No statements were considered as a definite problem by Store Owner B. Six of the 13 statements were considered somewhat a problem. Deciding what to advertise in the newspaper (#1) and allocating enough money for the advertising budget (#5) were considered somewhat of a problem. Reaching potential customers (#7) was also perceived to be somewhat a problem, as were keeping accurate records (#12) and measuring the selling power of advertising (#9). Planning special promotional activities (#6) was designated as somewhat a problem by the owner of Store B. Store Owner B indicated 6 of the 13 statements did not represent problems. Deciding when to use radio (#2) and where to distribute handbills (#3) were not denoted as problems. Three problem statements (#10, #11, #13) involving advertising inside the store were not considered a problem by the owner of Store B. Conveying the store image to the community (#8) was also not considered a problem.

Store Owner C had a total score of 22 out of 52 possible points, the lowest composite score, indicating the highest number of problems identified among the four stores. The owner of Store C recognized 11 of the 13 statements as definitely or somewhat a problem. Deciding what to advertise in the newspaper (#1), radio (#2), and in handbills (#3) were considered definitely a problem. Planning special promotional activities (#6) and allocating enough money for the advertising budget were also considered definitely a problem. Measuring results (#9) and keeping accurate advertising records (#12) were identified as definitely a problem. Problem statements involving advertising reaching customers (#7) and ability to convey the desired store image (#8) were identified as somewhat a problem. Keeping up interior and window (#10, #11) displays were also considered somewhat a problem. Store Owner C did not perceive one of the 13 statements as a problem, namely, deciding on location of merchandise on the sales floor (#13).

Store Owner D had a total score of 31 out of 52 possible points, indicating that 8 of the 13 statements were definitely or somewhat a problem. The score reflected a comparatively low number of problem areas compared to the other three stores. The two areas considered as definitely a problem included measuring the selling power of advertising (#9) and keeping accurate records of advertising (#12). Deciding what to advertise in the newspaper (#1) and radio (#2), along with allocating enough money for the advertising budget (#5) were considered somewhat a problem. The statements involving reaching customers (#7) and ability of advertising to convey the store image (#8) were revealed as somewhat a problem. Planning special promotional activities (#6) was identified as somewhat a problem. Store Owner D indicated only 4 of the 13 problem statements as not a problem or not applicable.

Two problem statements involving advertising within the store (#10, #11) were not considered a problem or was deciding on the location of merchandise on sales floow (#13).

Implications

All four of the stores identified problem areas after the advertising had been placed. None of the four retailers felt they could accurately keep advertising records or measure the selling power of advertising. Deciding what to advertise in the newspaper, planning special promotional activities, reaching potential customers, and conveying the store image to the community were considered definitely or somewhat of a problem to three of the four stores. Deciding where to locate billboards was not considered applicable by three retailers and not a problem for one store owner. Deciding on location of merchandise on the sales floor was not designated as a problem by three of the four retailers. One store, Store B, did not identify any problem statement as a problem in the area of advertising and promotion. Stores B and D had fewer problems in regard to advertising and promotion than the other two stores. Store Owner B, one of the larger two stores in terms of dollar volume and square footage, had the highest composite score in the area of advertising and promotion.

Four problems identified by women's apparel merchants in the LeGrand (1978) study corresponded to those designated by at least three of the four retailers in the case studies. LeGrand reported that women's apparel merchants perceived measuring the selling power of advertising (78%) and keeping accurate records of advertising (60%) as a problem, as did three of the four retailers in the case studies.

Deciding what to advertise in the newspaper (60%) and reaching potential customers through adversiting (56%) were also identified by merchants in the LeGrand study.

Summary of Problematic Scores

The total problematic score was determined by the sum of the composite score in the four problematic areas. The detailed listing of the scores and percentages in the problematic areas and the total problematic score and percentage for each of the four stores was included in Table VII.

Store Owner A had the fewest problems in the accounting and control area, as indicated by a score of 32 (61.5%) of the 52 possible points. Store Owners C and D both had fewer (55.7%) of the possible points, the lowest of the four stores.

In the buying and merchandising area, Store Owner C had the fewest number of problems, as indicated by a score of 64 (64%) of the 100 possible points. Store Owner A reported the greatest number of problems (51%) of the possible points.

Store Owner D had the fewest problems in the operation and management area, as indicated by a score of 43 (71.6%) of the 60 possible points. Store Owners A and C both had fewer (60%) possible points.

Store Owner D had the fewest problems in the advertising and promotion area, reporting a score of 31 (59.6%) of the 52 possible points. Store Owner C had fewer (42.3%) possible points, the lowest of the four stores.

Store Owner B had the highest efficiency score (165 or 62.5%) in the problematic area, indicating the fewest problems. Store Owner A

TABLE VII

DETAILED LISTING OF TOTAL SCORES AND PERCENTAGES IN THE PROBLEMATIC AREAS AND TOTAL PROBLEMATIC SCORE FOR THE FOUR APPAREL STORE OWNERS

Problematic Areas	Responses of Store Owners							
	A		B		C		D	
	N	%	N	%	N	%	N	%
Accounting and Control	32	61.5	31	59.6	29	55.7	29	55.7
Buying and Merchandising	51	51.0	61	61.0	64	64.0	52	52.0
Operation and Management	36	60.0	40	66.6	36	60.0	43	71.6
Advertising and Promotion	26	50.0	30	57.6	22	42.3	31	59.6
Total Problematic Score	145	54.9	165	62.5	151	57.1	155	58.7

identified the most problems as reflected by the lowest efficiency score (54.9%).

Prioritization of Problems

One problem in each of the four functional areas of retailing was prioritized by individual retailers and the single most important problem was designated as presented in Table VIII. In the functional area of accounting and control, each of the four retailers prioritized different problems. Three financial problems were identified: affording computer control systems, paying monthly operation expenses, and lacking financial experience. One retailer designated keeping merchandise records as a problem.

In the buying and merchandising area, two retailers perceived problems involving seasonal merchandise decisions, namely, planning open-to-buy (Store Owner A) and merchandise delivery dates (Store Owner C). Knowing when to markdown merchandise (Store Owner D) and receiving cash for credit balance from manufacturers due to returns (Store Owner B) were also prioritized as the single most important problem in the buying and merchandising area.

In the operation and management area two retailers identified hiring employees who are creative salespeople (Stores Owners A and C) as the prioritized problem. Two retailers (Store Owners B and D) prioritize a problem in this functional area.

Measuring the selling power of advertising was prioritized by two retailers (Stores Owners C and D) in the advertising and promotion area. One retailer (Store Owner A) designated keeping accurate records of advertising results as the prioritized problem and one retailer (Store Owner B) did not identify a problem in the advertising and promotion area.

TABLE VIII

PROBLEMS PRIORITIZED BY STORE OWNERS IN EACH FUNCTIONAL AREA AND DESIGNATION OF SINGLE MOST IMPORTANT PROBLEM

Functional Area	Responses of Store Owners			
	A	B	C	D
Accounting and Control	Keeping adequate merchandise records	Affording computer control systems	Lack of financial experience[a]	Lack of money to pay monthly operation expenses[a]
Buying and Merchandising	Planning open-to-buy (OTB) for each season[a]	Receiving cash for credit balance from manufacturers due to returns[a]	Planning merchandise delivery dates	Knowing when to markdown merchandise
Operation and Management	Hiring employees who are creative salespeople	NP[b]	Hiring employees who are creative salespeople	NP[b]
Advertising and Promotion	Keeping accurate records of advertising results	NP[b]	Measuring the selling power of advertising	Measuring the selling power of advertising

[a]Single most important problem.
[b]NP: No problem area identified.

The single most important problem identified by each store owner and the detailed program of action agreed upon by the four retailers was included in Appendix J. The four most important problems identified and the program of action agreed upon by each store owner was summarized in Table IX.

Analysis of Financial Ratios

Thirteen financial ratios computed for three of the four stores and the ranking of each store were included in Table X. The current debt figure for Store D was not available, therefore, two ratios (#1, #7) could not be computed.

The financial efficiency of the four stores was ranked as indicated by comparing ratios to the national averages. As discussed in the procedures, the highest rank was designated for ratios (#1-#6, #8-#10) when more nearly comparable to or higher than the national averages. Ratios (#7, #11, #13) were considered more financially efficient when comparable to or lower than national averages for purposes of the study. Points assigned to each rank were as follows: a rank of one received four points; a rank of two received three points; a rank of three received two points; and a rank of four received one point. Total points were calculated and the store owners who received the higher composite scores were considered more financially efficient. Total score possibilities ranged from 13 to 52. The financial analysis of each store was discussed according to the key financial ratios for each store and the rank of each store compared to the national averages.

The highest current asset to current debt ratio (#1) computed was 3.60 for store B, which was higher than the national average (3.32).

TABLE IX

SUMMARY OF SINGLE MOST IMPORTANT PROBLEM
AND AGREED UPON PROGRAM OF ACTION

Store Owner	Most Important Problem	Agreed Upon Plan of Action
A	Planning open-to-buy (OTB) for each season	1. Utilize procedures for projecting dollar merchandise plan and calculating seasonal open-to-buy. 2. Retain percentage of OTB following market trips for additional orders based on best selling items. 3. Revise projected open-to-buy plans as recommended by seasonal markets, influences of economic conditions, and other factors.
B	Receiving cash for credit balance from manufacturers due to returns	1. Discuss refund policies with vendors prior to placing orders. 2. Implement an aggressive negotiation process and follow-up practices. 3. Evaluate resource utilizing inventory control records prior to market.

TABLE IX (Continued)

Store Owner	Most Important Problem	Agreed Upon Plan of Action
C	Lack of financial experience	1. Analyze cash flow statement each month.
		2. Prioritize seasonal or six-month cash flow plans including anticipated in flow and out flow of cash.
		3. Confer with bankers and accountants periodically to become better informed about financial matters.
D	Lack of money to pay monthly operation expenses	1. Discuss information on financial statements and record keeping with accountants.
		2. Analyze the budget, cash flow statement, and balance sheet.
		3. Make necessary arrangements for borrowing money from bank in advance.

TABLE X

FINANCIAL RATIOS AND RANKING OF THE FOUR APPAREL STORE OWNERS COMPARED TO THE NATIONAL AVERAGES[a]

	Financial Ratio	National Average[a]	Responses of Store Owners							
			A		B		C		D	
			ratio	rank[c]	ratio	rank[c]	ratio	rank[c]	ratio	rank[c]
1.	Current asset to current debt	3.32	1.00	2	3.60	1	1.00	2	no ratio	no rank
2.	Net profit to net sales	5.00	1.13	3	1.93	2	.35	4	2.19	1
3.	Net profit to return-on-investment	21.73	10.70	3	40.27	2	10.16	4	61.63	1
4.	Net sales to return-on-investment	3.86	9.41	1	2.08	4	2.85	2	2.80	3
5.	Net sales to cost dollar inventory	4.50	1.43	4	4.34	1	2.12	3	2.96	2
6.	Net sales to retail dollar inventory	4.50	7.17	1	2.00	2	1.06	4	1.48	3
7.	Current debt to cost inventory	50.00	52.00	3	36.23	2	11.90	1	no ratio	no rank
8.	Maintained markup percentage	49.80%	56.75%	1	54.00%	2	49.50%	4	50.00%	3
9.	Gross margin per dollar average cost inventory	2.46	5.69	2	1.52	4	6.57	1	1.65	3
10.	Dollar sales per square foot of selling space	$175.00	$329.58	1	$250.00	2	$158.00	3	$153.86	4

TABLE X (Continued)

	Financial Ratio	National Average[a]	Responses of Store Owners							
			A		B		C		D	
			ratio	rank[c]	ratio	rank[c]	ratio	rank[c]	ratio	rank[c]
11.	Selling salaries percent of net sales	9.20	4.73	1	5.00	2	6.22	3	10.44	4
12.	Total operating expenses percent of net sales	30.00%	28.35%	3	15.66%	1	26.19%	2	33.72%	4
13.	Advertising percent of net sales	3.00%	3.08%	4	1.66%	1	2.18%	2	2.38%	3
	Total Points			36		39		30		25

[a]As reported by Dun and Bradstreet, National Retail Merchants Association, and Bank of America.

[b]Not all information available to complete key financial ratios.

[c]Stores are ranked highest to lowest except #7, #11, #13, which are ranked lowest to highest.

[d]Score Code:

Rank 1 = 4 Points

Rank 2 = 3 Points

Rank 3 = 2 Points

Rank 4 = 1 Point

Two stores, A and C, were ranked second on the assets to debt ratio with a 1.00 ratio figure.

All four stores were below the national average (5.00) in terms of the net profit to net sales ratio (#2). Store D (2.19) ranked first and Store C had the lowest ratio (.35) of the four stores.

The highest net profit to return-on-investment ratios (#3) were calculated for Store B (40.27) and Store D (61.62), both above the national average (21.73). Two stores, A and C, had ratios lower than the national average. Store C had the lowest ratio (10.16).

Store A was the only retailer having a higher net sales to return-on-investment (#4) ratio higher than the national average. Three of the four stores had lower ratios than the national average (3.86). The lowest ratio (2.08) was calculated for Store B.

Store B (4.34) had the highest net sales to cost dollar inventory ratio (#5) and was nearer to the national average (4.50). Three of the four stores were lower than the national average.

The highest net sales to retail dollar inventory ratio (#6) was computed as 7.17 for Store A. Three of the four stores were lower than the national average (4.50).

The highest current debt to cost inventory ratio (#7) was calculated for Store A at (52.00), two points above the national average (50.00). The ratio could not be computed for Store D because the current debt figure was not available for the study. Two of the three remaining stores had a lower ratio than the national average (50.00). A lower debt to cost inventory ratio was considered more financially efficient, and thus, Store C ranked first, revealing the lowest figure (11.90).

All four stores had a higher maintained markup percentage (#8) than the national average (49.80%). Store A reported the highest markup percentage (56.75%) of the four stores. Store C reported the lowest percentage (49.50%); however, the percentage was only slightly below the national average.

Two stores had a higher gross margin return per dollar average cost inventory (#9) ratio than the national average (2.46). The highest ratio (6.57) was calculated for Store C. Two of the four stores had a ratio lower than the national average. The lowest ratio (1.52) was calculated for Store D.

The dollar sales per square foot of selling space (#10) was higher for two stores (A and B) than the national average ($175.00). Store A had the highest dollar sales per square foot of selling space ($329.58). The lowest dollar sales figure ($153.86) was calculated for Store D.

Store D had the highest net sales spent selling salaries (#11) ratio (10.55) which was nearer to the national average than the other three stores. The percent of net sales spent on selling salaries was lower than the national average (9.20) for three of the four stores. The lowest ratio (4.73) was calculated for Store A.

Store D had the highest percentage (33.72) of net sales spent on total operating expenses (#12) of the four stores. Three of the four stores had a lower percentage of net sales spent on total operating expenses than the national average (30.00). The lowest ratio (15.66) was calculated for Store B, which ranked first among the four stores.

The ratio of 2.08 computed for Store A was nearer to the national average (3.00) and the highest percentage of net sales spent on advertising (#13) reported of the four stores. Three of the four stores had a lower percentage spent on advertising than the national average. The lowest ratio (1.66) was calculated for Store B, which ranked first among the four stores.

Implications

Nine of the 13 ratios were considered more efficient when they received high rank for figures comparable to or higher than the national averages. At least two of the four stores had ratios lower than the national averages for the nine ratios. All four of the stores had lower than the national ratios on net profit to net sales and net sales to cost dollar inventory. Three of the four stores had ratios lower than the national averages on net sales to return-on-investment and net sales to retail dollar inventory. Two of the three stores reporting a current asset to current debt ratio were lower than the national average. The maintained markup percentage for three of the four stores was higher than the national average.

Four of the 13 ratios were ranked higher when the figures were more nearly comparable to or lower than the national averages. Three of the four stores were below the national average on the percentage of selling salaries, total operating expenses, and advertising to net sales. Two of the three stores reporting the current debt to cost inventory ratio were lower than the national average.

The two larger stores (A and B) were more financially efficient based on a comparison to the national averages. Store Owner A was ranked first among the four stores in regard to financial efficiency, as indicated by a rank of one on five ratios. Store B ranked first on four ratios. Stores C and D ranked first on only two ratios.

Assessment of Efficiency

Assessment of efficiency was determined by the sum of the ownership satisfaction scores, the total problematic scores, and the total scores based on the ranking of the financial ratios. The detailed listing of the ownership, problematic, and financial scores and percentages, and the total efficiency score and percentage for each of the four stores was included in Table XI.

Store Owner B received the highest percentage of points (69.0%), in relation to the three efficiency factors assessed in the study. Store Owner D had the lower percentage of total points (60.5%). Store Owner A received lowest percentage of points (54.9%), in relation to the problematic factor, indicating more problems identified.

Recommendations and Suggestions

The final stage of the study involved developing recommendations for a model which could be used in assessing the efficiency of small apparel stores. Suggestions for improving the efficiency of small apparel stores were also proposed by the researcher.

Recommendations for an Efficiency Model

Based on the findings of the study, the researcher recommended the revised model depicted in Figure 2 for use in assessing the efficiency of small apparel stores. Case studies should include store and owner profiles, ownership satisfaction factors, and external factors. Examples of the kinds of information needed were included in the questionnaires designed for purposes of the study. Efficiency should be

TABLE XI

OWNERSHIP, PROBLEMATIC, AND FINANCIAL SCORES AND PERCENTAGES AND TOTAL EFFICIENCY SCORES AND PERCENTAGES FOR EACH OF THE FOUR STORES

	Responses of Store Owners							
	A		B		C		D	
Factors	N	%	N	%	N	%	N	%
Ownership satisfaction	71	83.5	73	85.8	72	84.7	63	74.1
Problematic	145	54.9	165	62.5	151	57.1	155	58.7
Financial	36	69.2	39	75.0	30	57.6	25	48.0
Total Efficiency Score	252	62.8	277	69.0	253	63.0	243	60.5

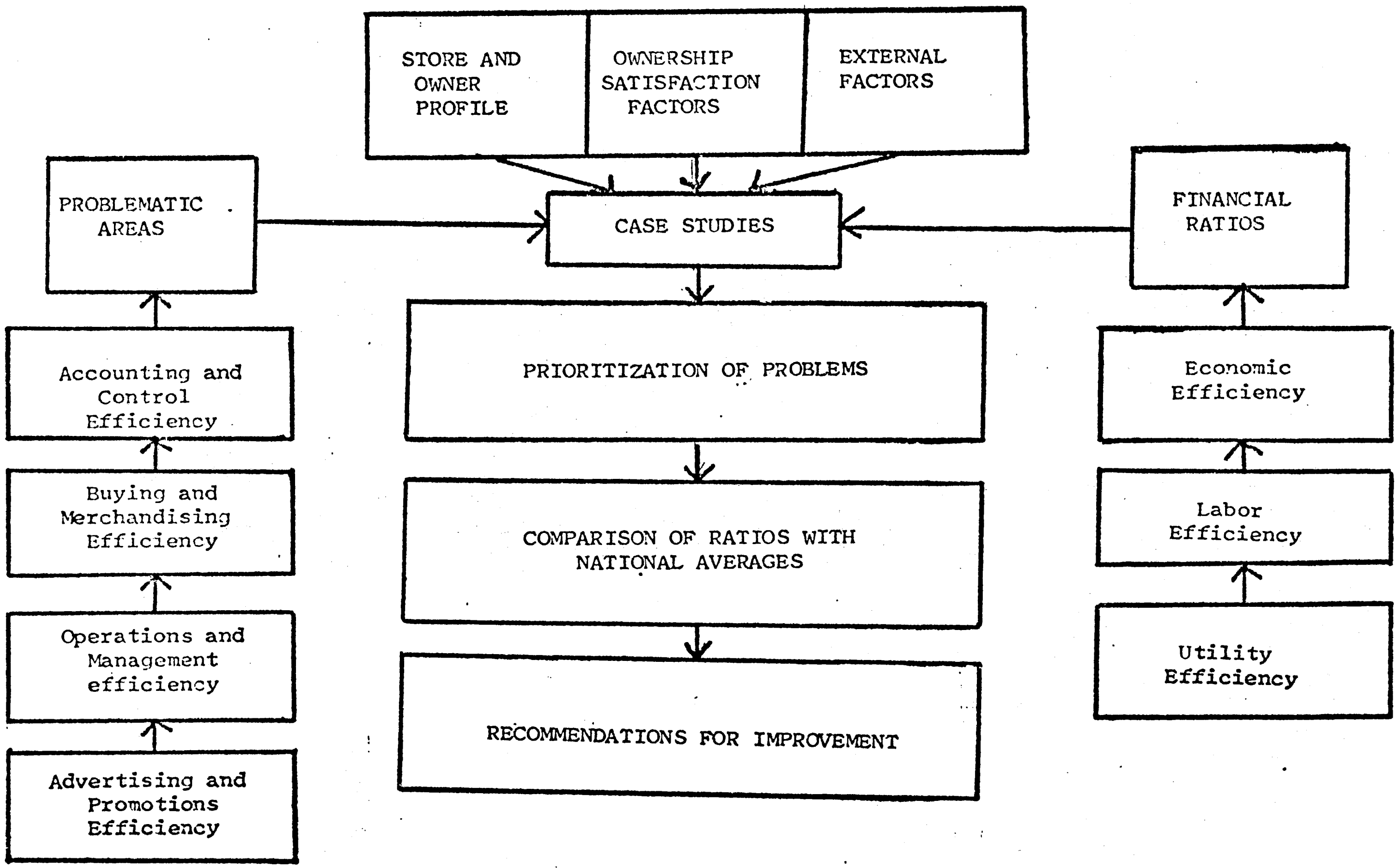

Figure 2. Schematic Presentation of Recommended Model for Use in Assessing the Efficiency of Small Apparel Stores

assessed based on store owner's identification and prioritization of problems and on the comparison of key financial ratios with national averages. Suggested improvement should be developed based on the prioritization of problems by the store owners and comparison of key financial ratios with comparable national averages.

Suggestions for Improvment

Strategies for improving the efficiency of small apparel stores proposed by the researcher included procedures for eliminating problems in each of the four functional areas of retailing, and suggestions for attaining more desirable key financial ratios in relation to national averages for stores of similar type and size.

Procedures for eliminating problems were as follows: 1) identification of problems in each of the four functional areas of retailing; namely, accounting and control, buying and merchandising, operation and management, and advertising and promotion; 2) prioritization of problems within each functional area; 3) development of alternative solutions for problems with high priorities and consideration of tentative ideas regarding low priority problems; 4) selection of the single most important problem by store owners and discussion of possible solutions; 5) development of a realistic program of action to guide the store owner in eliminating identified problems.

Procedures for attaining more desirable financial ratios included: 1) collection of financial data from income statements, balance sheets, or other financial records; 2) computation of ratios needed to compare with national averages for retail stores of similar type and size; 3) analysis of ratios which are not comparable to national averages;

4) discussion with store owners regarding the nature of components utilized in computing the ratios; and 5) development of realistic strategies to guide the store owner in attaining more desirable financial ratios. Finally, the researcher suggested that the proposed model be utilized periodically to assess improvements in the efficiency of small apparel stores.

CHAPTER V

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary

The purposes of the study were to investigate financial, problematic, and ownership satisfaction factors impacting on the efficiency of a selected group of small apparel shops and to make recommendations for a model which could be used to assess the efficiency of small apparel stores. The three objectives of the study were: 1) to identify financial, problematic, and ownership factors present in selected small apparel shops in existence less than five years, 2) to analyze the efficiency of selected small stores in relation to key financial ratios and problems identified in the four functional areas of retailing, and 3) to make recommendations for a model which could be used to assess the efficiency of small apparel shop operation, including suggestions for improving the efficiency of small stores during the first five years in business.

The selection of small apparel shops for the purposes of the study was based on a sample of convenience. Four stores were selected which were within a 70-mile radius of Stillwater, Oklahoma, had been in business less than five years, and were single unit operations. Each store carried only women's apparel and accessories. The case study method used to collect and analyze the data incorporated a delphi-type series of three interviews with each store owner. The taped interview session and the case study summaries were placed on file in the Clothing, Textiles, and Merchandising Research Office.

Ownership satisfaction was identified by the use of a questionnaire. Analysis of the Ownership Satisfaction Questionnaire was based on points allocated to each answer choice. The higher scores indicated a higher general level of satisfaction by the store owners.

A Problem Checklist was developed to identify problems in each of the four functional areas of retailing: accounting and control, buying and merchandising; operation and management; advertising and promotion. Analysis of the Problem Checklist was based on points assigned to each response option in order to measure the number and kinds of problems store owners perceived. The higher total scores indicated fewer problem areas identified by store owners. One interview session included an in-depth probe of the cause, detailed nature, and difficulties resulting from problem areas identified as definitely a problem by each store owner. Store owners prioritized one problem in each functional area and alternate solutions were developed by the researcher. The single most important problem area was identified by each store owner. A program of action to eliminate the problem area was agreed upon by store owners.

The financial efficiency of each store was revealed through the computation of 13 key ratios. A comparison of ratios with national averages was made for each of the four stores. Each ratio was ranked among the four stores and points were allocated to each rank. The store owners who received the higher scores were considered more financially efficient.

The efficiency of each store was assessed by the sum of the ownership satisfaction socre, the composite score in the four problematic areas, and the total score based on the ranking of the financial ratios.

Conclusions

The majority of the responses of the four store owners to the Ownership Satisfaction Questionnaire indicated a high level of ownership satisfaction. All four store owners felt the retail work was interesting, afforded opportunities to make friends, and allowed for the development of special abilities. However, all four store owners indicated that the job in retailing created stress, revealing a lower satisfaction level in this regard.

In the accounting and control functional area, spending too much time with various records including sales, merchandise, and expense records, were considered major problems by the store owners. Keeping a balanced merchandise assortment and receiving cash for credit balance from manufacturers were considered definite problems by all four store owners in the buying and merchandising area. The least number of problems was in the area of operations and management. The only statement identified as definitely a prlblem by all four store owners was related to staying current on practices and trends in personnel management. Two retailers did not identify any statement as definitely a problem in the operation and management area. In the advertising and promotion area, all four store owners identified problems after the advertising had been placed. None of the retailers felt they could accurately keep advertising records or measure the selling power of advertising.

In the financial analysis, the two largest stores (A and B) had five and four key ratios, respectively, comparable to the national averages. Based on the key ratios, the two smaller stores were considered less efficient in terms of the financial analysis.

Assessment of efficiency was based on the ownership satisfaction score, the problematic score, and the financial analysis score for each store. The highest total efficiency score was computed for Store Owner B, which reported the largest square footage of selling space, had been in business the longest amount of time, and was located in one of the smaller towns. The store owner receiving the lowest total efficiency score, Store Owner D, was one of two stores reporting the lowest square footage of selling space, had been in business the shortest length of time, and was located in one of the smaller towns.

Recommendations for Future Research

The study was concerned with the financial, problematic, and ownership satisfaction factors impacting on the efficiency of a selected group of small apparel stores. Based on the findings of the study, the researcher included the following recommendations for further study:

1. Investigate the relationships between financial ratios and problematic areas in small apparel stores compared to larger stores.

2. Initiate a follow up study to assess the relationships between improvements in problematic areas and efficiency reflected by financial ratios.

3. Conduct a similar study to determine the relationship between financial ratios and problematic areas for stores which have been in business more than five years.

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APPENDIXES

APPENDIX A

TENTATIVE MODEL USED IN THE COLLECTION

AND ANALYSIS OF DATA

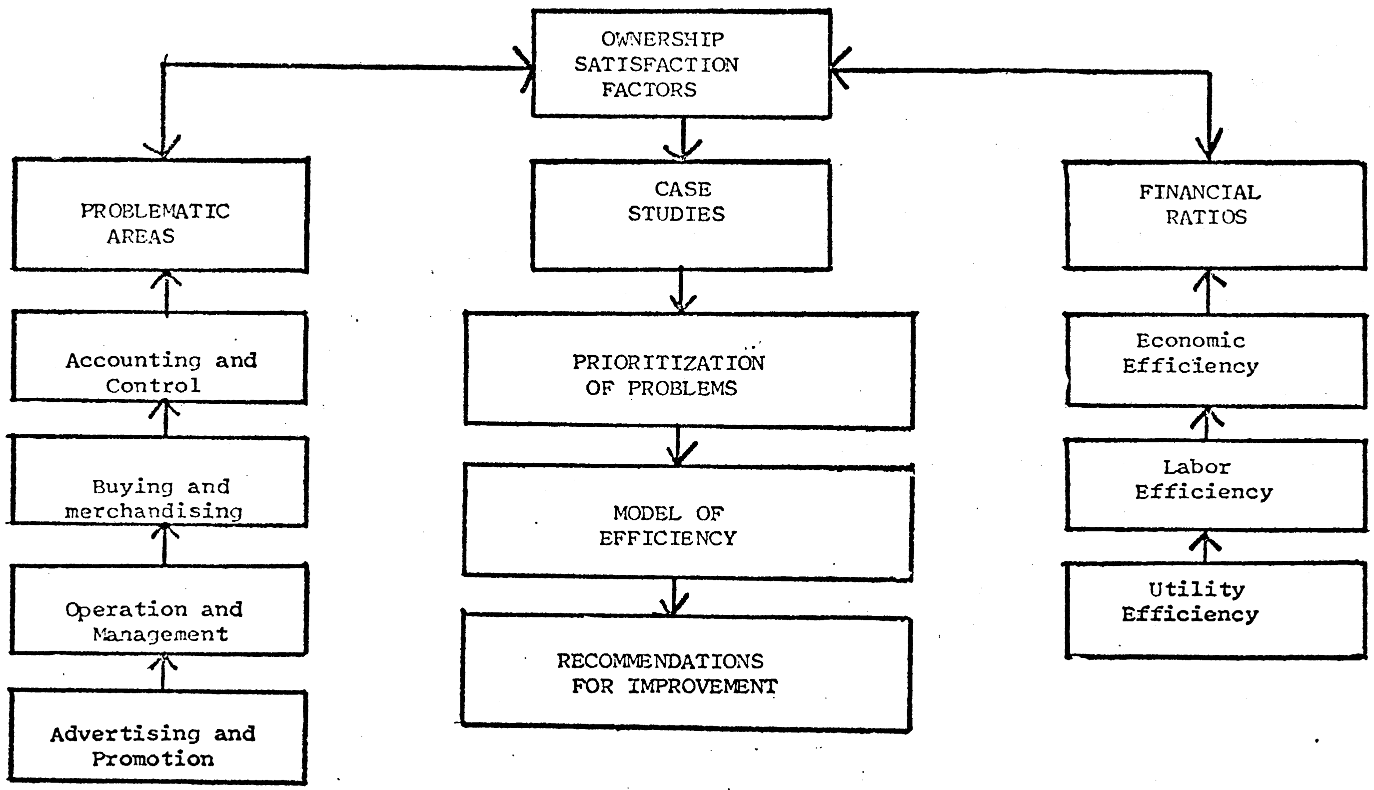

Figure 3. Tentative Model Used in the Collection and Analysis of Data

APPENDIX B

PRE-INTERVIEW QUESTIONNAIRE

PRE-INTERVIEW QUESTIONNAIRE

STORE AND OWNER PROFILE

1. Owner(s): ____________________
2. Name of Store: ____________________
3. Store Address: ____________________
4. City and State: ____________________
5. Zip Code: ____________
6. Telephone: ____________

Store Background

7. Length of Time in Business: ____________________
8. Location: ____________________
   (shopping center, strip center, free standing, etc.)
9. Square Footage of Selling Space (approx.): ____________
10. Total Square Footage (approx.) ____________
   (including dressing rooms, storage, other)
11. Annual Sales Volume: ____________________
12. Number of Employees: Full-Time______
   Part-Time______
13. Size of City or Town Where Store is Located: ____________
14. Merchandise Classifications Carried (please check):
   a. Coats___
   b. Dresses___
   c. Sportswear___
   d. Accessories___
   e. Other (list)____________________
15. Price Lines Carried (please check):
   a. Budget___
   b. Moderate___
   c. Better___
   d. Other____________________

Owner Background

16. Work Experience Background:
   a. Years of Retail Experience: ________
   b. Kind of Retail Experience: ____________________
   c. Other Work Experience: ____________________
17. Educational Background:
   a. High School: ____________________
   b. College: ____________ Major: ____________
   c. Advanced Degree: ____________
   d. Other Formal Training: ____________________
18. Is this the first retail operation you have owned?
   a. Yes____________ b. No____________
   If no, please list: ____________________
   ____

OWNERSHIP SATISFACTION QUESTIONNAIRE

Directions: Please circle the number below the words which indicate your reaction to the following statements:

	Statement	Definitely True		Undecided		Definitely False
1.	My retail work is interesting.	1	2	3	4	5
2.	I am given a lot of chances to make friends through my store.	1	2	3	4	5
3.	Being a small store owner makes it difficult to do the things I want to do in my spare time.	1	2	3	4	5
4.	Owning my own store allows me to develop my own special abilities.	1	2	3	4	5
5.	My job allows me to do the things I do best.	1	2	3	4	5
6.	I have enough time to get the job done.	1	2	3	4	5
7.	In general, my job is personally rewarding.	1	2	3	4	5
8.	In general, I consider my store to be financially rewarding.	1	2	3	4	5
9.	Owning my own store is professional satisfying to me.	1	2	3	4	5
10.	My store allows me to develop a desirable lifstyle for myself.	1	2	3	4	5
11.	My store is compatible with my family lifestyle.	1	2	3	4	5
12.	I am satisfied with my job.	1	2	3	4	5
13.	Job security is important to me.	1	2	3	4	5
14.	My job is secure in a shakey economy.	1	2	3	4	5
15.	My job in retailing creates stress.	1	2	3	4	5
16.	One's job should not affect one's family life.	1	2	3	4	5
17.	My job does not affect my family life.	1	2	3	4	5

18. Do you view your present job as a career or just something you are doing for the time being?
    1 career
    2 time being
    3 not sure
    If you answered 2 or 3, what do you view as your primary career?
    ____

19. Do you presently have any other jobs or do you do any other work for pay?
    1 yes
    2 no

20. About how many hours do you work in the retail establishment per week? ____________________

21. Is any member of your family involved in the management of the retail operation?
    1 no
    2 yes (list)____

AVAILABLE DATA CHECKSHEET

Directions: Please check the following types of records and information that you calculate for your store:

1. Annual Financial Records

   ___a. income statement or financial statement
   ___b. balance sheet
   ___c. total operating expenses (including rent and lease, salaries, supplies, maintenance, etc.)
   ___d. dollar inventory (cost and retail)
   ___e. cost of goods sold
   ___f. cash in flow
   ___g. cash out flow
   ___h. dollar sales volume
   ___i. return-on-investment
   ___j. gross sales
   ___k. net sales
   ___l. gross margin
   ___m. net profit
   ___n. customer returns and allowances

2. Merchandise Records

   ___a. sales records
   ___b. open-to-buy plans
   ___c. perpetual inventory
   ___d. physical inventory
   ___e. initial markup percentage
   ___f. maintained markup percentage
   ___g. markdown dollars
   ___h. markdown percentage

3. Advertising Records

   ___a. dollars spent on advertising
   ___b. type of advertising media used
   ___c. result of promotional activities
   ___d. number of promotions per year

4. Employee Records

   ___a. total employee wages (full and part time)
   ___b. sales per paid employee
   ___c. responsibilities of each employee

5. Would you be willing to share the types of records and information you checked above? All information and data will be kept strictly confidential.
   a. yes_____ b. no_____
6. Other information available (comment):___________________________

APPENDIX C

INTERVIEW SESSION SCHEDULE AND FORMS

UTILIZED IN THE FIRST INTERVIEW

SESSION

FIRST INTERVIEW SESSION SCHEDULE

Date______________________

I. Enter Store

II. Introduce myself to store owner

III. Conduct interview in private, if possible

Office___
Stockroom___
Other____

IV. Explain purpose of study:

I am working on my masters degree at Oklahoma State University. In the rsearch for my thesis, I am studying the efficiency of four small women's apparel shops. I have selected one store in each of the following towns: Stillwater, Oklahoma City, Tulsa, and Ponca City. This is the first of three interview sessions. Today I want to collect the financial data you said you have available in the questionnaire. I will compute other figures for you when possible. I will then compare these figures to national averages given by the National Retail Merchants Association, Dun and Bradstreet, and the Bank of America. You will see all four stores' figures compared to the national averages but you will not know who the other three stores are. All your figures will be kept in strict confidence.

V. Collect available financial data. Complete Form I as much as possible.

VI. Have store owner verify case study introduction and sign it.

VII. Have store owner fill out Problem Checklist.

FORM I

AVAILABLE DATA

I. <u>Annual Financial Records</u>

1. Income Statement or Financial Statement__________
   a. net sales __________
   b. gross margin__________
   c. cost of goods sold__________
   d. total operating expenses__________
2. Balance Sheet
   a. current assets__________
   b. current debt__________
3. Inventory and Sales Records__________
   a. retail dollar inventory__________
   b. cost dollar inventory__________
   c. dollar sales volume__________
   d. return-on-investment__________
   e. gross sales__________
   f. net profit__________
4. Cash Flow__________
   a. cash in flow__________
   b. cash out flow__________

II. <u>Merchandise Records</u>

5. Markup Percentage (maintained)__________
6. Markdown Percentage__________

III. <u>Advertising Records</u>

7. Total Dollars Spent on Advertising__________
8. Number of Promotions Per Year__________

IV. <u>Employee Records</u>

9. Total Sales Staff Salaries (annual)__________
10. Number of Employees__________

PROBLEM CHECKLIST

Directions: Please indicate your feelings about the following problems which sometimes occur in the four areas of retailing. For each of the following statements designate the degree to which you feel it represents a problem. (Circle the appropriate answer.)

Rating Scale

Definitely a Problem = This is a concern in my store.
Somewhat a Problem = This is a minor concern in my store.
Not a Problem = This is not a concern in my store.
Does Not Apply = This is not perceived as applying to my store.

	Accounting and Control	Definitely a Problem	Somewhat a Problem	Not a Problem	Does Not Apply
1.	Keeping adequate daily sales records------------	4	3	2	1
2.	Keeping adequate merchandise records------------	4	3	2	1
3.	Keeping adequate expense records----------------	4	3	2	1
4.	Affording the use of an accountant--------------	4	3	2	1
5.	Spending too much time with the records---------	4	3	2	1
6.	Lack of money to pay monthly operation expenses-	4	3	2	1
7.	Lack of financial experience--------------------	4	3	2	1
8.	Maintaining credit rating to borrow money when needed--	4	3	2	1
9.	Paying bills in time to get cash discounts------	4	3	2	1
10.	Selecting an insurance program to meet your store's needs ----------------------------------	4	3	2	1
11.	Affording selected insurance program -----------	4	3	2	1
12.	Acquiring information on computer control ststems---	4	3	2	1
13.	Affording computer control systems--------------	4	3	2	1
14.	Other (specify)______________________________				

Buying and Merchandising

15.	Obtaining resources wanted in the Dallas market--	4	3	2	1
16.	Knowing how to place an order with a vendor-----	4	3	2	1
17.	Having adequate time to survey resources at market---------------------------------------	4	3	2	1

Buying and Merchandising (Cont.)

		Definitely a Problem	Somewhat a Problem	Not a Problem	Does Not Apply
18.	Buying small quantities of merchandise----------	4	3	2	1
19.	Planning merchandise delivery dates-------------	4	3	2	1
20.	Planning merchandise completion dates-----------	4	3	2	1
21.	Checking in merchandise received----------------	4	3	2	1
22.	Delays in receiving merchandise ordered---------	4	3	2	1
23.	Returning inferior or damaged merchandise to resource---	4	3	2	1
24.	Planning the open-to-buy for each season--------	4	3	2	1
25.	Knowing the best resources from whom to buy-----	4	3	2	1
26.	Knowing the styles to buy for each season-------	4	3	2	1
27.	Knowing when to reorder merchandise-------------	4	3	2	1
28.	Keeping a balanced merchandise assortment in the store---------------------------------------	4	3	2	1
29.	Keeping new, fresh merchandise in the store-----	4	3	2	1
30.	Merchandise soilage caused by customer handling---	4	3	2	1
31.	Supervising the use of dressing rooms by customers---------------------------------------	4	3	2	1
32.	Knowing when to markdown merchandise------------	4	3	2	1
33.	Clearning obsolete merchandise at promotional activities (sidewalk sales, pre-season sales, etc.)---------------------------	4	3	2	1
34.	Obtaining jobber to clear obsolete merchandise--	4	3	2	1
35.	Selling merchandise carried over from last year--	4	3	2	1
36.	Deciding how to arrange physical facilities-----	4	3	2	1
37.	Developing good communications with manufacturers---------------------------------------	4	3	2	1
38.	Receiving return authorization from manufacturers---------------------------------------	4	3	2	1
39.	Receiving cash for credit balance from manufacturers due to returns-----------------------	4	3	2	1
40.	Other (specify)________________________________				

Operation and Management

41.	Competing with bigger retailers-----------------	4	3	2	1
42.	Maintaining good relationships with other retailers---	4	3	2	1

Operation and Management (Cont.)

		Definitely a Problem	Somewhat a Problem	Not a Problem	Does Not Apply
43.	Spending too much money on fixtures------------	4	3	2	1
44.	Maintaining store policies on returns and adjustments-------------------------------------	4	3	2	1
45.	Arranging for alterations for customers---------	4	3	2	1
46.	Keeping records on employee wages and/or salaries--	4	3	2	1
47.	Hiring employees who are creative salespeople---	4	3	2	1
48.	Keeping employees aware of what's happening in the store------------------------------------	4	3	2	1
49.	Finding time for store meetings to inform salespeople-------------------------------------	4	3	2	1
50.	Having enough sales help at peak hours during the week--	4	3	2	1
51.	Loss of merchandise through internal theft------	4	3	2	1
52.	Loss of merchandise through external theft------	4	3	2	1
53.	Providing adequate parking facilities-----------	4	3	2	1
54.	Changing of store hours------------------------	4	3	2	1
55.	Staying current on practices and trends in personnel management---------------------------	4	3	2	1
56.	Other (specify)________________________________				

Advertising and Promotion

		Definitely a Problem	Somewhat a Problem	Not a Problem	Does Not Apply
57.	Deciding what to advertise in the newspaper-----	4	3	2	1
58.	Deciding when to use radio advertising----------	4	3	2	1
59.	Deciding where to distribute handbills----------	4	3	2	1
60.	Deciding where to locate billboards-------------	4	3	2	1
61.	Allocating enough money for advertising budget--	4	3	2	1
62.	Planning special promotional activities---------	4	3	2	1
63.	Reaching your potential customer through advertising------------------------------------	4	3	2	1
64.	Conveying the store image to the community------	4	3	2	1
65.	Measuring the selling power of advertising------	4	3	2	1
66.	Keeping attractive interior merchandise arrangements-------------------------------------	4	3	2	1
67.	Keeping window display changed------------------	4	3	2	1
68.	Keeping accurage records of advertising results-	4	3	2	1
69.	Deciding on location of merchandise on sales floor--	4	3	2	1
70.	Other (specify)________________________________	4	3	2	1

APPENDIX D

FORMULAS UTILIZED TO COMPUTE KEY FINANCIAL RATIOS

FORMULAS UTILIZED TO COMPUTE KEY FINANCIAL RATIOS

1. Current Assets to Current Debts - Current assets are divided by total current debt. This is one test of solvency. The higher the ratio the greater the difference between assets and debts. As long as the ratio is a positive number, assets are greater than debts.

2. Net Profit to Net Sales - Obtained by dividing net profit of the business by net sales. A yardstick in measuring profitability. The higher the ratio the greater the profit per sale.

3. Net Profit to Return-On-Investment - Obtained by dividing net profits by return-on-investment. The higher the ratio the greater the profit on the return on invested capital.

4. Net Sales to Return-On-Investment - Net sales are divided by return-on-investment. This provides a guide as to the extent of the return on invested capital. The higher the ratio the greater sales on the return on invested capital.

5. Net Sales to Cost Dollar Inventory - Obtained by dividing annual net sales by the cost of merchandise inventory. This ratio does not yield an actual physical turnover. It provides a yardstick for comparing cost of stock-to-sales ratios with those for the industry. The higher the ratio the greater the net sales per cost dollar of merchandise inventory.

6. Net Sales to Retail Dollar Inventory - Obtained by dividing annual net sales by retail merchandise inventory. This ratio provides a yardstick for comparing the retail amount of stock-to-sales ratios with those for the industry. The higher the ratio, the greater the net sales per retail dollar of merchandise inventory.

7. <u>Current Debt to Cost Inventory</u> - Dividing the current debt by cost inventory yields another indication of the extent to which the business relies on funds from disposal of unsold inventories to meet its debt. The higher the ratio the more the business relies on funds from disposal of unsold inventories to meet debt.

8. <u>Maintained Markup Percentage</u> - The difference between the cost of the merchandise and the final or actual selling price. The higher the ratio, the higher the selling price of the merchandise.

9. <u>Gross Margin Return per Dollar of Cost Inventory</u> - Computed by dividing gross margin by average cost inventory. This ratio is a measure of the efficiency of the investment in inventory. This is a most significant ratio which identifies the degree of efficiency in the utilization of funds invested in inventory. The higher the ratio the more efficiently funds are invested in inventory.

10. <u>Dollar Sales per Square Foot of Selling Space</u> - Derived by dividing the net sales by the average number of square feet of selling space occupied. This ratio reflects the sales volume productivity of each square foot of selling space. The higher the ratio the higher the dollars sold per selling space square foot.

11. <u>Selling Salaries Percent of Sales</u> - Derived by dividing total selling salaries by net sales. The higher the ratio the greater the percentage of net sales spent on selling salaries.

12. <u>Total Operating Expenses Percentage of Net Sales</u> - Obtained by dividing total operating expenses by net sales. The higher the ratio, the greater the amount of net sales is spent on operating expenses.

13. Advertising Costs Percent of Net Sales- Obtained by dividing total advertising costs by net sales. The higher the ratio, the more dollars spent on advertising.

APPENDIX E

COMPOSITE LISTING OF MOST AND LEAST IMPORTANT PROBLEMS IN EACH FUNCTIONAL AREA OF RETAILING

COMPOSITE LISTING OF MOST IMPORTANT PROBLEMS IN EACH FUNCTIONAL AREA

Accounting and Control

1. Affording computer control systems
2. Lack of financial experience
3. Keeping adequate merchandise records
4. Keeping adequate expense records
5. Maintaining credit rating to borrow money when needed
6. Acquiring information on computer control systems
7. Affording the use of an accountant
8. Lack of money to pay monthly operating expenses

Buying and Merchandising

1. Receiving cash for credit balance from manufacturers due to returns
2. Delays in receiving merchandise ordered
3. Returning inferior or damaged merchandise to resources
4. Planning merchandise completion dates
5. Having adequate time to survey resources at market
6. Planning OTB for each season
7. Knowing the best resources from whom to buy
8. Knwoing the styles to buy for each season
9. Keeping new, fresh merchandise in the store
10. Knowing when to markdown merchandise
11. Clearing obsolete merchandise at promotional activities
12. Obtaining a jobber to clear obsolete merchandise
13. Selling merchandise carried over from last year

Operation and Management

1. Hiring employees who are creative salespeople
2. Finding time for store meetings to inform salespeople
3. Arranging for alterations for customers
4. Keeping employees aware of what is happening in the store
5. Having enough sales help at peak hours
6. Staying current on practices and trends in personnel management

Advertising and Promotion

1. Keeping accurate records of advertising results
2. Measuring the selling power of advertising
3. Allocating enough money for advertising budget
4. Reaching your potential customer through advertising
5. Conveying the store image to the community
6. Deciding when to advertise in the newspaper
7. Deciding when to use radio
8. Deciding where to distribute handbills
9. Planning special promotional activities

COMPOSITE LISTING OF LEAST IMPORTANT PROBLEMS

IN EACH FUNCTIONAL AREA

Accounting and Control

1. Keeping adequate expense records
2. Paying bills in time to get cash discount
3. Selecting an insurance program to meet your store's needs
4. Keeping adequate daily sales records
5. Affording the use of an accountant
6. Maintaining credit rating to borrow money when needed
7. Affording selected insurance program
8. Keeping adequate merchandise records
9. Spending too much time with the records
10. Lack of money to pay monthly operation expenses
11. Lack of financial experience
12. Acquiring information on computer control systems

Buying and Merchandising

1. Checking in merchandise received
2. Developing good communications with manufacturers
3. Obtaining resources wanted in the Dallas market
4. Knowing how to place an order with a vendor
5. Supervising use of dressing rooms by customers
6. Clearing obsolete merchandise at promotional activities
7. Obtaining a jobber to clear obsolete merchandise
8. Having adequate time to survey resources at market
9. Buying small quantities of merchandise
10. Planning merchandise delivery dates
11. Returning inferior or damages merchandise to resource
12. Planning the open-to-buy for each season
13. Knowing the best resources from whom to buy
14. Merchandise soilage caused by customer handling
15. Planning merchandise completion dates
16. Knowing the styles to buy for each season
17. Knowing when to reorder merchandise
18. Keeping new, fresh merchandise in the store
19. Knowing when to markdown merchandise
20. Selling merchandise carried over from last year
21. Deciding how to arrange physical facilities
22. Receiving return authorization from manufacturers

Operation and Management

1. Spending too much money on fixtures
2. Maintaining store policies on returns and adjustments
3. Keeping records on employee wages and/or salaries
4. Loss of merchandise through internal theft
5. Loss of merchandise through external theft
6. Maintaining good relations with other retailers

Operation and Management (Cont.)

7. Arranging for alterations for customers
8. Having enough sales help at peak hours during the week
9. Providing adequate parking facilities
10. Changing of store hours
11. Competing with big retailers
12. Keeping employees aware of what is happening in the store
13. Hiring employees who are creative salespeople
14. Finding time for store meetings to inform salespeople

Advertising and Promotion

1. Keeping window displays changed
2. Deciding on location of merchandise on sales floor
3. Keeping attractive interior merchandise arrangements
4. Deciding when to use radio advertising
5. Deciding where to distribute handbills
6. Deciding where to locate billboards
7. Conveying store image to the community

APPENDIX F

INTERVIEW SCHEDULE AND AN EXAMPLE OF INFORMATION PREPARED FOR USE IN SECOND INTERVIEW SESSION

SECOND INTERVIEW SESSION SCHEDULE

Date____________________

I. Enter Store

II. Conduct interview in private, if possible

Office___
Stockroom___
Other____

III. Key Ratios - Present key ratio chart to store owner. Go over each ratio with store owner comparing figures to national norms. Questions for Owner:

Why are your averages different than the national averages?

How do you account for the differences?

What do you plan to do in regard to the differences?

IV. Problem Areas - Interview store owner on problems checked in first interview session. Use predetermined question sheets attached. Tape record the interview session.

V. Prioritization - Have store owner select one problem in each of the four functional areas to formulate alternative solutions to.

AN EXAMPLE OF INFORMATION PREPARED FOR USE IN SECOND INTERVIEW SESSION

Question Sheets

Accounting and Control

Problem: Keeping adequate expense records

1. If you have trouble keeping adequate expense records, can you analyze costs?
2. Can you tell if you are getting the most efficient use of expense dollars?
3. Do you keep records of this year's figures?
4. Do you keep records of last year's figures?
5. Do you look at the difference between this year and last year's figures?
6. Do you keep records on sales records, cash receipts, cash disbursements, and accounts receivable?
7. Do you keep payroll records?
8. Do you feel you have adequate time to keep these records up-to-date?
9. Do you feel you overspend or underspend because adequate expense records are not kept?

Buying and Merchandising

Problem identified: Delays in receiving merchandise ordered

1. Do you designate a cancellation date on your purchase order?
2. Do you regularly return merchandise if it is delivered past the requested delivery date?
3. Is your cash flow tied up in merchandise that will not sell because of delayed delivery?
4. Do you feel your store does not always stock adequate merchandise because of delayed deliveries?
5. Do you call the manufacturer when expected merchandise has not arrived?
6. Do you know a person in the shipping department of your major resources?
7. Do you know the sales representative?

Operation and Management

Problem identified: Staying current on practices and trends in personnel management

1. Do you ever review management periodicals or reports on personnel management technique?
2. Do you feel you are an affective manager of your employees?

Operation and Management (Cont.)

3. Have you ever considered your strong and weak management points trying to build on your strong points and eliminating the weaker ones?
4. Do you feel a changing social climate and increasing employee demands for benefits has caused you to change your management style?

Advertising and Promotion

Problem identified: Measuring the selling power of advertising

1. What do you expect advertising to do for your store?
2. Do you expect immediate response from advertising?
3. Do you utilize attitude advertising?
4. Have you ever tried coupons to give an immediate sales check? Do you record sales of merchandise advertised for one week following the ad? Two weeks?
5. Do you feel the amount spent on advertising is offset by additional sales?
6. Do you have salespeople keep track of the number of units they sell during the time the ad is in effect?
   ***Retail value of units sold ÷ advertising costs = dollars of sales received from each dollar spent on advertising
7. Do you measure immediate results on the day of each ad?
8. How do you measure long range results?

APPENDIX G

INTERVIEW SCHEDULE AND AN EXAMPLE OF INFORMATION PREPARED FOR USE IN THIRD INTERVIEW SESSION

THIRD INTERVIEW SESSION SCHEDULE

I. Enter Store

II. Conduct interview in private, if possible

Office___
Stockroom___
Other____

III. Solutions - Present solutions to the problem areas identified by the store owner. Have store owner choose the solution most feasible for the individual store. Reach mutual agreement on future actions to improve problem areas.

IV. Prioritization - Have store owner select the single most important problem for his store.

V. Key Ratios - Give store owner revised key ratio charts, store ranking chart, and total composite efficiency score.

How can low efficiency scores be improved? (Those with 3 or 4 rank.)

Could efficiency level be improved in the next year?

Present plans that might influence efficiency ratio -

AN EXAMPLE OF INFORMATION PREPARED FOR USE IN THE THIRD INTERVIEW SESSION

ACCOUNTING AND CONTROL

Problem Area: Lack of financial experience

Solution 1:

Small store owners are decision makers and decision makers must have information. Therefore, the retail store owner looks to the accounting system as a source of meaningful, relevant, timely, and accurate information on which to base decisions. An accounting system should be developed and understood by the store owner by which collecting, processing, and reporting essential data that reflect the results of the operation may be accomplished. The accounting system should include the forms, records, procedures, and devices utilized in recording, summarizing, and reporting the operating and financial data required by the store owner for personal use in controlling activities.

Solution 2:

Managers should analyze the information found in profit-and-loss and balance sheet statements and by making projections based on budgets. Financial budgets are of great importance and should be understood by store owners. Budgets are plans of operation that increase the efficiency of management. By using a budget, store owners can gain financial experience, conserve resources, establish the proper relationship between income and expenses, and identify trends in time. If stores are to be profitable, owners must spend time on details and must have definite goals in mind.

The budget of a retail business should include everything to do with finances: income, expenses, cash inventory, capital, and equipment.

Solution 3:

Sound financial management must be practiced if loans are to be obtained and used profitably. Financial management includes: knowing the firm's cash flow, forecasting cash needs, planning to borrow at the appropriate time, and substantiating the fimrs' payback ability.

One alternative to sound financial management is the financial audit. In providing a professional opinion about the fairness of a company's financial statements, financial audits help to show up weaknesses in financial management. Thus, they are a tool which owners of small apparel shops can use for locating and correcting problems in their companies. Such an examination of a company's financial records focuses attention on areas which require management improvement.

APPENDIX H

DETAILED DESCRIPTION OF INFORMATION ABOUT EACH STORE

DETAILED DESCRIPTION OF INFORMATION

ABOUT EACH STORE

CASE STUDY INFORMATION - STORE A

Store A was a women's specialty clothing store. The store was located in a shopping mall in a city with an approximate population of 500,000. Store A has been in operation for four years.

The owner has 15 years of retail work experience in specialty shops. The store owner graduated from college with a degree of journalism/speech. Store A was the first retail operation owned by this retailer.

Store A has an approximate total square footage of 1395 square feet and an approximate selling space of 1000 square feet. The store owner employs two full-time salespeople and two part-time. The merchandise carried by Store A includes better coats, dresses, sportswear, and accessories. The owner of Store A was not sure if retailing was viewed as a career or just for the time being; however, Store Owner A was not employed elsewhere. Store Owner A spent over 50 hours per week in the store, along with a spouse who is also involved in the management of the retail operation.

CASE STUDY INFORMATION - STORE B

Store B was a somen's specialty clothing store. The store was located in downtown, in a town with an approximate population of 45,000. Store B has been in operation for four and one-half years.

The owner grew up in a family of retailers. The store owner's work experience background includes mostly buying and selling in small stores, although five years was spent in the restaurant business. Store Owner B graduated from college with a B.S. degree in Business Administration. Store B was the first retail operation owned by the retailer.

Store B has an approximate total square footage of 1600 square feet and an approximate selling space of 1200 square feet. The owner employs one full-time sales person and two part-time. The merchandise carried by Store B includes better dresses, sportswear, accessories, and jewelry.

The owner of Store B viewed retailing as a career and was not employed elsewhere. Store Owner B spent approximately 50 hours per week in the store, along with a spouse who is also involved in the management of the retail operation.

CASE STUDY INFORMATION - STORE C

Store C was a women's specialty clothing store. The store was located in an open shopping center in a city with an approximate population of 500,000. Store C has been in operation three and one-half years.

The owner has five years of retail work experience, including sales, department manager, and buyer. Store Owner C graduated from college with a B.S. in Fashion Merchandising. Store C is the first retail operation owned by this retailer.

Store C has an approximate total square footage of 1440 square feet and an approximate selling space of 900 square feet. Store Owner C employs one full-time salesperson and one part-time. The merchandise carried by Store C includes moderate and better dresses, sportswear, and accessories.

The owner of Store C viewed retailing as a career and was not employed elsewhere. Store Owner C spent approximately 40 hours per week in the store. Family members of Store Owner C were not involved in the management of the retail operation.

CASE STUDY INFORMATION - STORE D

Store D was a women's specialty clothing store. The store was located in a strip center in a town with an approximate population of 35,000. Store D has been in operation for three years.

The owner has three years of retail work experience, including two month's summer retail and five years as an elementary school teacher. Store Owner D graduated from college with a B.S. in elementary education. Store D is the first retail operation owned by this retailer.

Store D has an approximate total square footage of 1000 square feet and an approximate selling space of 900 square feet. The owner employs one full-time salesperson and one part-time. The merchandise carried by Store D includes a few better coats, dresses, sportswear, and accessories and consignment furs.

The owner of Store D viewed retailing as a career and was not employed elsewhere. Store Owner D spent 50-60 hours per week in the store, along with a sister who is also involved in the management of the retail operation.

APPENDIX I

PROBLEM AREAS IDENTIFIED AS DEFINITELY A PROBLEM BY EACH STORE OWNER

PROBLEM AREAS IDENTIFIED AS DEFINITELY A

PROBLEM BY STORE OWNER A

Accounting and Control

1. Keeping adequate merchandise records
2. Keeping adequate expense records

Buying and Merchandising

1. Having adequate time to survey resources at market
2. Delays in receiving merchandise ordered
3. Returning inferior or damaged merchandise to resource
4. Planning open-to-buy for each season
5. Knowing the best resources from whom to buy
6. Knowing the styles to buy for each season
7. Receiving cash for credit balance due to returns

Operation and Management

1. Arranging for alterations for customers
2. Hiring employees who are creative salespeople
3. Keeping employes aware of what is happening in the store
4. Finding time for store meetings to inform salespeople

Advertising and Promotion

1. Allocating enough money for advertising budget
2. Reaching your potential customer through advertising
3. Conveying the store image to the community
4. Measuring the selling power of advertising
5. Keeping accurate records of advertising results

PROBLEM AREAS IDENTIFIED AS DEFINITELY A

PROBLEM BY STORE OWNER B

Accounting and Control

1. Affording computer control systems

Buying and Merchandising

1. Receiving cash for credit balance due to returns

PROBLEM AREAS IDENTIFIED AS DEFINITELY A

PROBLEM BY STORE OWNER C

Accounting and Control

1. Lack of financial experience
2. Maintaining credit rating to borrow money when needed
3. Acquiring information on computer control systems
4. Affording computer control systems

Buying and Merchandising

1. Planning merchandise delivery dates
2. Planning merchandise completion dates
3. Receiving cash for credit balance from manufacturers due to returns

Operation and Management

1. Hiring employees who are creative salespeople
2. Finding time for store meetings to inform salespeople
3. Having enough sales help at peak hours during the week
4. Staying current on practices and trends in personnel management

Advertising and Promotion

1. Deciding what to advertise in the newspaper
2. Deciding when to use radio advertising
3. Deciding where to distribute handbills
4. Allocating enough money for advertising budget
5. Planning special promotional activities
6. Measuring the selling power of advertising
7. Keeping accurage records of advertising results

PROBLEM AREAS IDENTIFIED AS DEFINITELY A

PROBLEM BY STORE OWNER D

Accounting and Control

1. Affording the use of an accountant
2. Lack of money to pay monthly operation expenses
3. Lack of financial experience
4. Affording computer control systems

Buying and Merchandising

1. Planning merchandise completion dates
2. Delays in receiving merchandise ordered
3. Returning inferior or damaged merchandise to resources
4. Keeping new, fresh merchandise in the store
5. Knowing when to markdown merchandise
6. Clearing obsolete merchandise at promotional activities
7. Obtaining jobber to clear obsolete merchandise
8. Selling merchandise carried over from last year
9. Receiving cash for credit balance from manufacturers due to returns

Advertising and Promotion

1. Measuring the selling power of advertising
2. Keeping accurate records of advertising results

APPENDIX J

AGREED UPON PROGRAM OF ACTION FOR THE SINGLE MOST IMPORTANT PROBLEM

AGREED UPON PROGRAM OF ACTION FOR THE SINGLE MOST IMPORTANT PROBLEM

STORE A

Store A has been in operation for approximately four years. Store A had the second highest net profit figure of the four stores and reported the highest net sales figure. In the problem identification area of the interview, Store Owner A identified the fewest number of problems in the area of A/C.

The owner of Store A identified planning OTB for each season as the single most pressing problem. Alternative solutions presented to Store Owner A included an explanation of the AFA August workshop packet emphasizing the dollar merchandising plan section. A registration form to the workshop was also given to the store owner. A shortcut OTB form utilized in the Fashion Merchandising Consulting Services was also presented to Store Owner A as an alternative method of planning OTB. The utilization of a buying office was a third suggested alternative suggested. Based on a review of literature and suggestions from two experienced retailers, three reasons for planning an OTB were also presented to the store owner.

Store Owner A agreed to institute a process which makes OTB information readily available. The formula utilized in the dollar merchandise plan of the AFA workshop packet was chosen as most feasible to the store owner. Leaving a percent of OTB following market trips was also agreed to be a procedure in the future. Store Owner A stated the human factor of actually implementing these formulas was time consuming. The feeling of not purchasing adequate amounts of merchandise when an OTB is followed was expressed by the store owner. However, Store Owner A was not aware of what was spent in the past resulting in a serious cash flow problem. Therefore, Store Owner A agreed to institute an OTB for future buying trips.

STORE B

Store Owner B has been in operation for four and one-half years. The largest square feet of selling space and the greatest net profit figures were reported by Store Owner B. The highest ownership satisfaction score was figured for Store Owner B. In the problem identification portion of the interview Store Owner B identified the fewest number of problems in the areas of A/P.

The single most important problem identified by Store Owner B was receiving cash for credit balance due to returns to manufacturer. Three alternative solutions regarding legal aspects of receiving refunds were presented to the store owner as a result of the review of literature and two experienced retailers' suggestions. Store Owner B agreed that the solution which stated the Basic Trade Provision law was the most feasible for the store. On the basis of an experienced retailer's suggestion, the store owner agreed to discuss refund policies with vendors prior to placing orders. A negotiation process will be initiated by Store Owner B upon entering the manufacturer's showroom.

STORE C

Store Owner C has been in operation for three and one-half years. The lowest net profit figure was reported by Store Owner C. In the problem identification area of the interviewk Store Owner C identified the fewest number of problems in the area of B/M.

The owner of Store C identified lack of financial experience as the single most pressing problem. Alternative solutions presented to Store Owner C included an explanation of the Balance Sheet, Income Statement, and Cash Flow Statement utilized in the ASE packet. Three alternative solutions explaining store budgets and the importance of sound financial management were also presented to the store owner.

Store Owner C agreed that the Cash Flow Statement from the ASE packet will be utilized in the future because cash flow was a serious problem. Store Owner C also agreed that the information on budgeting was helpful. It was agreed that an attempt to plan a budget will be made in the future.

STORE D

Store D has been in operation for three years. The lowest ownership satisfaction score was recorded for Store Owner D.

The single most important problem identified by Store Owner D was lack of money to pay operation expenses. Alternative solutions presented to Store Owner D included an example budget from the ASE packet. The budget included an example income statement, cash flow statement, and balance sheet. An example cash forecast sheet found in the review of literature was also presented and explained. Merchandising and Operating average sales figures from the National Retail Merchants Association (1979) were explained to Store Owner D. The AFA workshop packet was presented in order that the store owner might compute individual monthly sales and forecast when the cash flow need occurs. An example cash forecast found in the review of literature was also presented to the store owner. Three alternative solutions explaining budgeting and expense allocation were inlcuded in the alternative solutions.

Store Owner D agreed that the ASE information will be implemented in the future. Store Owner D requested additional information be sent regarding the ASE class. Store Owner D felt the solution explaining expense allocation was helpful in pointing out the problem in order to alleviate it.

VITA

Kristie Lynn Swan

Candidate for the Degree of

Master of Science

Thesis: FINANCIAL, PROBLEMATIC, AND OWNERSHIP FACTORS IMPACTING ON THE EFFICIENCY OF APPAREL SHOPS

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