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ABSTRACT

The purpose of the experimental curriculum is to give grade 11 and grade 12 students an understanding of the problems and decisions that face every businessman in starting and managing a business. Included in this manual are 15 lesson plans and a major student project. The project attempts to serve as a culminating activity for many of the topics discussed throughout the school year in distributive education classes. The project is flexible and permits the teacher-coordinator to adjust both the timetable and type of assignments to his particular purposes. The lesson plans were written so that the material could be presented in 20 minutes or less. (Author/VA)

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# GOING INTO BUSINESS FOR YOURSELF

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# INTRODUCTION

Included in this manual are:

- A. The 13 page project "A Business Plan: Going Into Business for Yourself"
- B. Lesson plans for each topic presented in the business plan. These lessons were written so that the material can be covered in 20 minutes at the most.
- C. Overheads/handouts for the lesson plans
- D. Student activities for each lesson plan

## SUGGESTIONS FOR USE

### Junior Program

A coordinator with a junior program might use the lesson plans (ownership, image, financing, location, etc), overheads and handouts to teach the subject matter covered in the major project. He could then follow-up the lessons with the activities that are included with each lesson plan. After all the material is covered, the major project could be given to the students.

### Senior Program

I run off copies of the 13 page project and give it to my senior students as a final examination. Because of end-of-the-year senior activities, it is best to give the students the project at least one month before the school year ends.

Deadlines for certain parts of the projects are set (usually for Fridays). These are graded and returned to the student with suggestions for improvement (on Monday). These grades are used for the final grading period.

When the final assignment is turned in, an overall grade is given on the work. All previous assignments, whether they were completed when first handed in, must be a part of the final project. I used this grade for a final examination grade.

Students who finish the work ahead of time are urged to give an oral presentation to the class for extra credit.

### Oral Presentation

Let the students form committees of 3 or 4 to work on the project. Each committee could divide the project up according to the interests of individual members. The teacher-coordinator then schedules the group for an oral presentation. Students should be provided with materials so they can prepare overheads and handouts. The oral presentation should include a question and answer session. Other members of the class can be provided with 2 types of rating sheets. They can rate the entire participation and give individual ratings to members of the committee as to their participation on the project.

# BOOKS AND MATERIALS

Retailing Principles and Practices, 6th Edition, Richert, Meyer, Haines, Harris

Marketing and Distribution, 2nd Edition, Mason, Rath, Ross

Available from: Gregg Division  
McGraw-Hill Book Company  
1221 Avenue of the Americas  
New York, New York 10020

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Retailing Management, 3rd Edition, Davidson, Doody

Available from: Ronald Press Company  
79 Madison Avenue  
New York, New York 10016

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Retail Merchandising, 7th Edition, Wingate, Samson

Business Principles and Management, 6th Edition, Shilt, Everard, Johns

Available from: Southwestern Publishing Company  
5101 Madison Road  
Cincinnati, Ohio 45227

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Store Arrangement

Store Location

Establishing A Retail Business

Available from: National Cash Register Company  
Dayton, Ohio 45409

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Business Plan for Small Retailers

Choosing the Legal Structure for Your Firm

Steps in Incorporating A Business

Available from:

How to Select A Resident Buying Office

Small Business Association

Stock Control of Small Stores

Knowing Your Image

## A BUSINESS PLAN: GOING INTO BUSINESS FOR YOURSELF

PURPOSE: The "Going Into Business for Yourself" project is an experimentation which attempts to serve as a culminating activity for many of the topics discussed throughout the school year in the distributive education classes. It is the purpose of the project to give the student an understanding of the problems and decisions that face every businessman in starting and managing a business. In solving the project's business problems in connection with the particular business chosen, the student will have a better understanding of the problems common to all businesses.

DESCRIPTION OF THE PROJECT: The student chooses a business in which he is interested. He will take the necessary steps of establishing the business and managing it. While the project will be imaginary, every attempt is made to make it as realistic as possible.

The project is flexible and permits the teacher-coordinator to adjust both the timetable and the type of assignments to his particular purposes.

The student's project choice must be a business considered as retailing, it must be a legal business, it must meet the requirements of the assignment, and the choice must have the coordinator's approval. The project choice may be a new business or the purchase of an existing business. The student will be challenged to support any statements he makes with proof of references; facts, figures or sources of information.

At various intervals, quizzes will be given to check the student's understanding of his assignments. The student is expected to plan his project so that assignments are completed on the date due. A classroom file is kept which contains all finished assignments. An "F" is given any late assignment. All assignments must be a part of the final business project, whether they are done on time or not. A completed project, meeting all assignments, will be a course requirement. The student will not be given credit for distributive education unless this requirement is met.

Working ahead of schedule is encouraged to allow for a possible unexpected, time-consuming occurrence. However, caution should be taken to insure that a fast pace does not decrease the caliber of the student's work. Unsatisfactory work will not be accepted at any time since this project is to be the student's best effort.

SOURCES OF INFORMATION: The student is encouraged to gather requested information from any sources available. Sources: local business community -- employers, competitors, realtors, insurance agents, public officials, textbooks, library books, class notes, handout material, trade journals, Federal Government Printing Office, Chamber of Commerce, Small Business Administration, and various trade associations.

The student will enjoy this project if he works diligently. His reward in knowledge, understanding, and satisfaction will be in direct proportion to his effort.

At all times, the student is to feel free to consult the teacher-coordinator for advice. The teacher-coordinator in turn will direct the student's effort and thinking to the desired goal - understanding. This project involves many topics and serves as a summary for the year and thereby has each student utilize, with some immediacy, the knowledge gained in this course work in distributive education.

INSTRUCTIONS: When working on this project, begin each section on a new sheet of paper. Do not run the sections together, because you may want to go back and add additional information to a section already completed. Answer in complete sentences. Example: Question - Is the area considered progressive? WRONG - Yes. RIGHT - The area is progressive because .....

### WHAT BUSINESS AM I IN?

In making your business plan, the first question to consider is: What business am I really in? At the first reading, this question may seem silly. But hold on. Some owner-managers go broke and others waste their savings because they are confused about the business they are in.

Example: Mr. X maintained a dock and sold and rented boats. He thought he was in the marina business. He was actually in several businesses. He was in the restaurant business with a dockside cafe. He was in the real estate business - buying and selling lots up and down the coast. He was in the boat business - buying parts and calling in a mechanic as the demand arose. Mr. X was trying to be "All things to all people." With this approach, he was fragmenting his slim resources.

Decide what business you are in, and respond to the following:

- A. Name you have given your business.
- B. What type of business is it?
- C. What do you buy?
- D. What do you sell?
- E. What is it that you are trying to do better or more of or differently from your competitors?
- F. Which of your lines of goods yields the greatest profit?
- G. Cut pictures out of magazines and newspapers of some of the products, styles, services, etc. that your business will carry.



### OWNERSHIP AND CONTROL

A characteristic of our economic system is that businesses are owned by individuals instead of the government. This does not mean that each business has only one owner. In the United States, there are 3 basic forms of business ownership: sole proprietorship, partnership, and corporation. Each of these forms of business ownership has its own risks and rewards.

- A. Are you a sole proprietorship, partnership, corporation, or franchise?
- B. Explain your choice of ownership.
- C. If you are going into a partnership, write "articles of co-partnership."  
Who is involved in the partnership?  
List how much money each partner invests.  
List duties of each partner.  
Discuss how profits will be split.



- D. If you plan a corporation write the "certificate of incorporation" which is to be submitted to the state official so you can receive your charter.

Name of company  
Purpose of formation  
Length of time for which corporation is being formed  
Names of incorporators  
Types of stock you will issue  
Capital needed  
Names of directors



- E. If starting a franchise business, tell major items covered in franchise agreement.

Who is parent company?  
What is initial fee you must pay?  
What is monthly percentage of sales that must be paid?  
In what geographical area do you get exclusive rights to sell?  
What training does parent company provide?

### IMAGE

A store has an image whether or not the owner is aware of it. Your image should be concrete enough to promote in your advertising and other promotional activities. For example, "home-cooked" food might be the image of a small restaurant.

- A. Write out the image you want shoppers and customers to have of your store.  
B. Tell how you plan to establish this image with customers.

### CUSTOMERS

Retailers know that any sound business plan must begin with the consumers' interests and with satisfying the customers' wants.

- A. To what class or type of customer will the business cater?  
How was this determined?  
B. How will you find out about customer wants?

### FINANCING THE BUSINESS

Before any retail operation can be undertaken, there must be money. The first, and probably biggest problem you will face is getting the necessary capital.

- A. Amount needed (assume one-half of capital is on hand)  
B. Compare sources of financing.  
C. What is your choice of financing? Why?



## STORE LOCATION

When a merchant has a location that is well suited to his store, the advantage may be sufficient to overcome certain deficiencies in his merchandising capabilities.

### Community and Area Analysis

Is the geographical area in which you plan to locate supported by a strong economic base?

- A. Discuss the size and characteristics of the population.
- B. Is the area considered progressive?
- C. What is the size of the trading area?
- D. Are nearby industries working fulltime? Only parttime?
- E. Did any industries go out of business in the past several months?
- F. Are new industries scheduled to open in the next several months?

### Shopping District Location

In retail business, your sales potential depends on location within the town. The following should help you to work through the problem of selecting a profitable location.

- A. In what part of the city or town will you locate? Why?

Central shopping district, area right next to the downtown business area, residential section of the town, suburbs, suburban shopping center/mall, highway location, string street, etc.

- B. List the reasons for your choice.
- C. What is the competition in the area you have picked?  
Number of stores that handle my lines of merchandise.  
How many of these stores look prosperous?  
How many look as though they are barely getting by?  
How many similar stores went out of business in this area last year?  
What price lines does competition carry?  
Which store or stores in the area will be your biggest competition?

### Building Location

Sales and profit prospects for a particular store may be highly dependent upon the value of the specific site to be occupied.

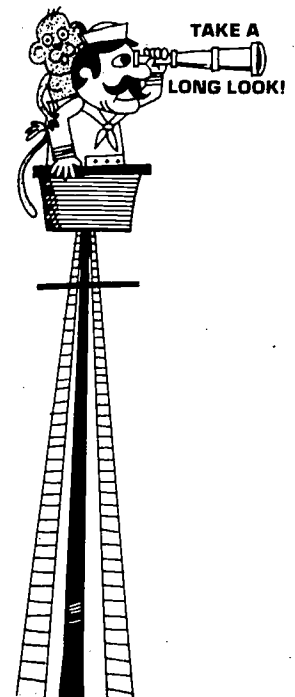
- A. Give exact location (street address).
- B. Is the neighborhood starting to run down?
- C. Is the neighborhood new and on the way up?

- D. Are any super-highways or throughways planned for the neighborhood?
- E. Is street traffic fairly heavy all day?
- F. How close is the building to the bus line or other public transportation?
- G. Are there adequate parking facilities convenient to the building?
- H. Is the parking area well-lighted if you are open at night?
- I. Is the street lighting good?
- J. Are the sidewalks in good repair?
- K. What are the zoning laws for the location?
- L. Research of area: customer count, traffic flow, business trends; relocation of roads, transportation, etc. Where could you find this information?
- M. Locate trading area and competition on map.
- N. State all factors for choice of location. Be prepared to defend your choice of location.

### THE BUILDING

Wise merchants prepare checklists of factors they must consider in evaluating buildings as possible locations for their businesses.

- A. Indicate exact location on area map.
- B. Provide detailed plot of the immediate business area - photographs and/or diagrams.
- C. What is the occupancy history of this store building?
- D. Does the store have a reputation for failure? (opening & closing after a short period of time)  
Was it the location, excessive rent, or some other factor?
- E. What rent will you have to pay each month?
- F. What is the physical condition of the store?
- G. What are the terms of the lease? (who makes repairs, paints, etc.) What services, if any, does the landlord provide?
- H. If you plan to build a store, estimate costs.
- I. What type of floor covering will you have? Why?
- J. What type of heating and air conditioning will you have?
- K. What type of lighting system will be installed?
- L. What will be the color scheme for your store?



## LAYOUT OF STORE, PARKING AREA, ETC. IN DETAIL AND TO A REASONABLE SCALE

How a store is arranged influences the dollar amount of sales earned per square foot. Careful planning of store layout has become increasingly important.

- A. Detailed drawing of building exterior and plot. Be sure to include entrances, display windows, sign on front of building, etc.
- B. Detailed drawing of building layout including fixtures and equipment. Are you using the free flow arrangement or the gridiron pattern of layout? Why?

## EQUIPMENT, FIXTURES AND FURNISHINGS

Merchants should be keenly interested in the equipment used in their stores because the proper equipment can reduce labor costs, speed the movement of merchandise, and add to the attractiveness of the store.

- A. Will you buy or lease equipment? Why?
- B. List the selling fixtures you will need. Examples: tables, shelves, counters, cash registers, etc.
- C. List the non-selling equipment at your store. Examples: time clocks, delivery trucks, bookkeeping machines, forklift, etc.

## BUSINESS ORGANIZATION

Organization is needed if your store is to produce what you expect it to produce, namely profitable sales dollars.

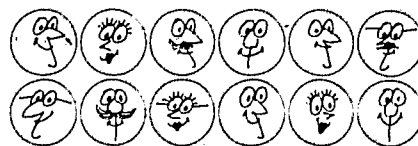
Organization is essential because you as the owner-manager cannot do all the work. You have to delegate work, responsibility, and authority. A helpful tool in getting this done is the organization chart. It shows at a glance who is responsible for the major activities of the business. An organization chart for a small retail store will reflect the fact that the owner-manager does most of the managing work himself.

- A. Prepare a business organization chart showing the departments and line of authority.

## PERSONNEL

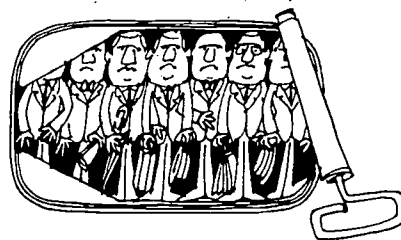
Success in operating a store is largely dependent upon the effectiveness with which employees cooperate in their efforts. The task is to devise a program that will, to the greatest degree possible, satisfy the employees' wants and yet achieve the firm's objective.

- A. Number of employees needed
- B. Major duties of each
- C. Write a newspaper "help wanted" ad you would place to attract workers.
- D. What caliber of employees are you looking for?

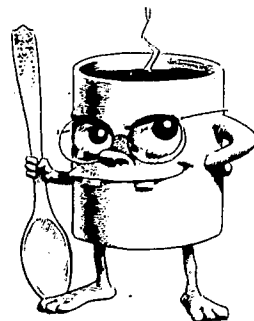




- E. Where will you find these people?
- F. How will you select from your applicants?
- G. What sort of tests will you give applicants?
- H. Is a physical required?
- I. What sort of training and development programs will they have?
- J. How long will the try-out period be for new employees?
- K. What will be the rate of pay?
- L. What will be the method of payment (salary, commission, combination, etc.)?
- M. How often will the employees be paid?
- N. What are the opportunities for growth, advancement, promotion within the business? What is the policy on transfers? What is your policy on promotions? Do you promote from within the company?
- O. Will you offer your employees a discount on merchandise they purchase at the store? How much of a discount?
- P. What fringe benefits are offered?
- Q. Vacation, holiday, free days policies
- R. Hospitalization, and medical care. If offered, who pays?
- S. What about labor organizations?
- T. What are the policies on termination of employment (voluntary, with cause)?
- U. What sort of employee evaluation will you have? How often?
- V. Pension and retirement plans you will offer?
- W. List some of the store rules and regulations that employees will have to follow:



1. Smoking
2. Chewing gum
3. Lunch (how much time)
4. Eating while working
5. Visiting with friends or employees during working hours
6. Leaving assigned area during working hours
7. Breaks (how often, how long)
8. Using telephone for personal business
9. Storing coat, purse, parcels, etc.
10. If they are sick and can't report to work



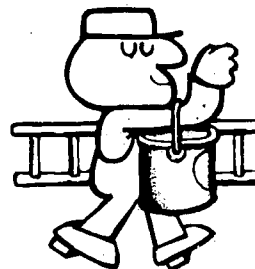
11. If they become ill while working
12. If they want time off for an activity
13. Rules of punishment for dishonesty
14. If delayed coming to work
15. Any other rules that would pertain to your type of business

### BEHIND-THE-SCENES WORK

Behind-the-scenes work consists of the receiving of merchandise, preparing it for display, maintaining display counters and shelves, and keeping the store clean and attractive to customers.

- A. List the equipment you will need for:

Receiving merchandise into your stock area  
 Preparing merchandise for display  
 Maintaining display counters and shelves  
 Keeping the store clean and attractive



- B. List the supplies you will need. Example: brooms, mops, price tags, staples, etc.
- C. Who will do the backroom work and the cleaning that is needed to make a smooth operation in the store?
- D. If you hire extra employees for this work, how much extra will this cost?
- E. When goods come into the store, what checking system will you use? Why? (direct check, blind check, quality check)  
 Who is responsible for checking merchandise?
- F. Who will mark prices on the goods?  
 What form will the marking operation take? (tickets, tags, labels, etc.)  
 Where will the marking process be done? (stockroom, when placed on shelves, etc.)
- G. Who is responsible for getting the merchandise from the stockroom to the selling floor?  
 When will the stocking be done? Why? (during the sales day, at night when store is closed, etc.)

### SELLING TO CUSTOMERS

You need to think about what you want to happen after prospects get inside your store. Your goal is to move stock off your shelves and displays - at a profit - satisfy customers, and put money into your cash register. You also have to replenish the stock. To do this, you have to encourage shoppers to become customers. One-time customers can not do the job. You need repeat customers to build a profitable annual sales volume.

- A. Will your store be self-service or will you have salespeople? Why?
- B. Explain how you plan to get repeat customers.

## CUSTOMER SERVICE POLICIES

The services you provide your customers may be free to them, but not to you. For example, if you provide parking, you pay for your own parking lot or pick up your part of the cost of a lot which you and other retailers use.

- A. List the services that your competitors provide customers.
- B. How many of these services will you have to provide just to meet competition?
- C. What services would attract customers that your competitors are not offering?
- D. What services does your store offer only during certain periods of the year? Example: Layaway at Christmas time.
- E. List any services that you might offer that your customers might pay for. Example: gift wrapping
- F. How does your credit policy work?
- G. Explain your delivery policies. If you offer delivery services, will you have your own equipment or will you contract to use a consolidated delivery service?
- H. What is your policy on returned merchandise?
- I. You will have to formulate store hours that will serve the needs of your customers. What days will you be open? What will be the hours the store will be open?

## PRICING THE MERCHANDISE

Value received is the key to pricing. The only way a store can have low prices is to sell low-priced merchandise. What you do about the prices you charge depends on the lines of merchandise you buy and sell. It also depends on what your competition charges for these lines of merchandise.

- A. In what price ranges are your lines of merchandise sold (quality, medium, low)?
- B. Which range will you stock?
- C. Will you sell only for cash?
- D. If you offer credit, will your price have to be higher than if all sales are for cash? (the credit costs have to come from somewhere.. Plan for them.)
- E. If you use a known credit card system, what will it cost you? Will you have to add to your prices to absorb this cost?
- F. Will your store use odd pricing? Why?
- G. Will you use a one price policy or variable pricing policy? Why?

- H. Will the store use leader pricing on some items? What about loss leader pricing?

### BUYING THE MERCHANDISE

"Goods well bought are half sold" is an old saying in retailing. The person who buys goods for a store is a purchasing agent for the store's customers. He never buys to satisfy a personal whim. Instead, he concentrates on finding products that will best reflect the store's image, appeal to the store's target customers, and provide the profit margin necessary.

- A. Who does the buying for your store?
- B. Who sells the line you use to retailers such as yourself?
- C. Is it sold directly by the manufacturers? Through Jobbers? Through wholesalers? Through buying offices?
- D. Which buying resource do you use?
- E. How quickly can the vendor deliver orders? fill-in orders?
- F. What are the terms of sale?
- G. Can you establish terms of credit with him?
- H. Will you make buying trips to the central markets? How often?
- I. Devise a purchase order form for your business.

### STOCK CONTROL

Often shoppers leave without buying because the store did not have the items in the colors they wanted or the sizes they needed. Stock control combined with suppliers whose policies on fill-in orders are favorable to you, provide a way to reduce "walkouts."

The type of system you use to keep informed about your stock depends on your line of merchandise and delivery dates provided by your suppliers.

Your stock control system should enable you to determine what needs to be ordered on the basis of (1) what is on hand, (2) what is on order, and (3) what has been sold.

- A. What are the duties that have to be performed from the time the truck arrives at your business until the goods are moved into stock or storage?
- B. What happens when you receive damaged or spoiled goods?
- C. What happens when there is a shortage of goods?
- D. Who is notified?

- E. What kind of check is made for quality and quantity of merchandise received?
- F. What method will you use to know when goods should be reordered and what number of goods to reorder?

### STOCKTURN

When an owner-manager does his buying job reasonably well, he can expect to turn his stock over several times a year. For example, the stock in a small retail camera shop should turn over 4 to 4 1/2 times a year, jewelry store one time a year, grocery store 50 times a year.

- A. The average stockturn for my line of merchandise should be \_\_\_\_\_ times a year.

### STORE PROMOTION

You have to have something to say before advertising can be effective. When you have an image, price range, and customer services, you are ready to tell prospective customers why they should shop in your store.

When the money you can spend for advertising is limited, it is vital that your advertising be on target. Take time to determine what jobs you want advertising to do for your store.

The strong points of my store are -----  
 My store is different from my competition in the following ways -----  
 My advertising should tell shoppers and prospective customers the following facts about my store and its merchandise -----

When you have these facts in hand, you are ready to think about the form your advertising should take and its cost.

How you spend advertising money is your decision, but don't fall into the trap that snares many businessmen. As one consultant describes this pitfall: It is amazing the way many businessmen consider themselves experts on advertising copy and media selection without any experience in these areas.

### Advertising

- A. How much money do you plan to spend on advertising each month?
- B. Will the store use promotional or institutional advertising? Combination? Why?
- C. Do you plan any cooperative advertising? Horizontal? Vertical?
- D. What are the mediums you will use to advertise? (newspaper, radio, TV, direct mail, handbills, outdoor signs, car cards, magazines, advertising specialists, charity advertising)

## Newspapers

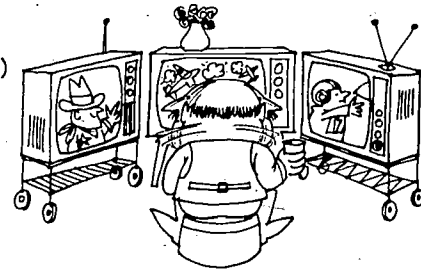
- A. Design a logotype (signature plate) for your newspaper ads.
- B. Layout a newspaper ad for a product from your business.
- C. What newspaper will your ads appear in? How often will they appear? What days?

## Radio

- A. Write a 60 second radio advertisement for your store.
- B. What radio stations will you advertise on? Why?
- C. What days of the week will your ads be on? Why?
- D. What time of the day will the ads be broadcast? Why?
- E. What type of program will your ads be on? Why?

## TV

- A. Write a 30 second TV advertisement (audio and visual)
- B. What time of day will the ad be seen? Why?
- C. What stations will carry the ad? Why?
- D. What days will the ad be broadcast? Why?
- E. Will the ad be on a program or be a spot announcement between programs? Why?



## Direct Mail

- A. Design a letterhead for the store.
- B. Write 2 sales letters for your business (a form letter, an individual sales letter).

## Outdoor Signs

- A. Design a billboard. Keep the message short and simple.

## Advertising Specialists

- A. What forms of advertising specialists will you use? (calendars, book matches, ash trays, etc.)

## Display

- A. Sketch an interior display.
- B. Sketch a window display or make a diorama (miniature window display in a box).

- C. How often will displays be changed?
- D. Who will be in charge of putting in displays?
- E. Will you make your display signs, or buy them from a sign painter?

#### Special Sales

- A. How many times during the year will you have special sales?
- B. List special sales events you will have.



#### Publicity Oriented Promotion

- A. In what publicity oriented activities or events will your business take an active part? (style shows, charity events, special courses offered, demonstrations, etc.)

#### Premiums, Inducements

- A. What premiums, promotions will your store offer? (coupons, gifts, games, contests, trading stamps, etc.)

#### INSURANCE

Businessmen can protect themselves against some risks by buying insurance; other risks cannot be covered by insurance. The merchant should know which aspects of his business enterprise can be protected by insurance and which must be protected by other means. No store owner should attempt to assume serious risks when it is possible to obtain insurance protection at a reasonable cost.

There is no complete agreement among retailers as to what kinds of insurance are essential. This depends upon the retailer's financial position, his size, and type of operation.

- A. What types of insurance coverage will be needed by the business? (property, liability, business life, social, use and occupancy, fraud, etc.)

#### RECORDS

Information is vital to the retailer. Everyone in business should know what profit is and how it is calculated. Every businessman should know what records help him plan for a profit. Often, making a profit and skillful recordkeeping go hand-in-hand.

- A. Describe the method of recording the following:

##### 1. Stock inventory.

Will you take inventory at cost or at retail prices?

How often will you take a physical inventory of goods in the store?

Will you use a perpetual inventory system? Why?

2. Sales and purchases.

Does the salesperson make out sales slip? How many copies? Where do the copies go?

Who has the right to fill out a purchase order for the store?

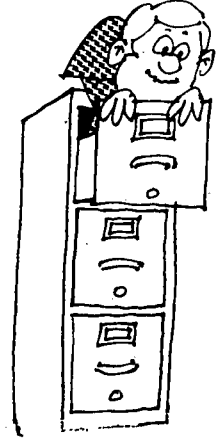
3. Cash and expenses.

4. Payroll.

B. Financial statements

1. Prepare a sample profit and loss statement.

2. Prepare a sample balance sheet.



GOVERNMENT REGULATIONS

Today's retailer should know that government at all levels is involved in the regulation of business. Many of the existing legal controls were sought by businessmen themselves in order to help maintain free and fair competition. Others were sought by consumers or those representing them. Government regulations can stimulate and assist business as well as control and police it.

A. What forms of government regulations concern your operation? (regulations of commerce, regulations of competition, regulations for public health, safety, labor regulations, etc.)

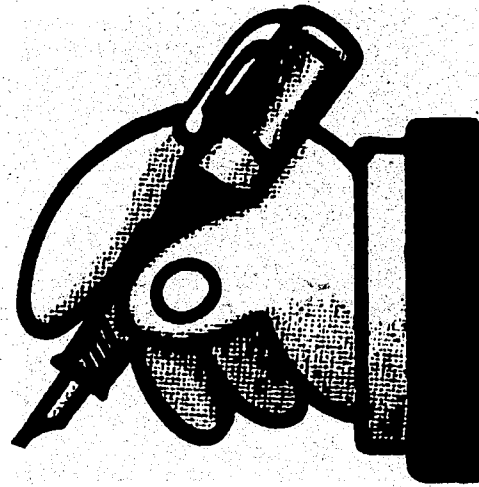
CONCLUSIONS

A. State conclusions pertaining to the possible success of the business.

B. Explained by the project owners, whether the business can or cannot operate successfully.







LESSON

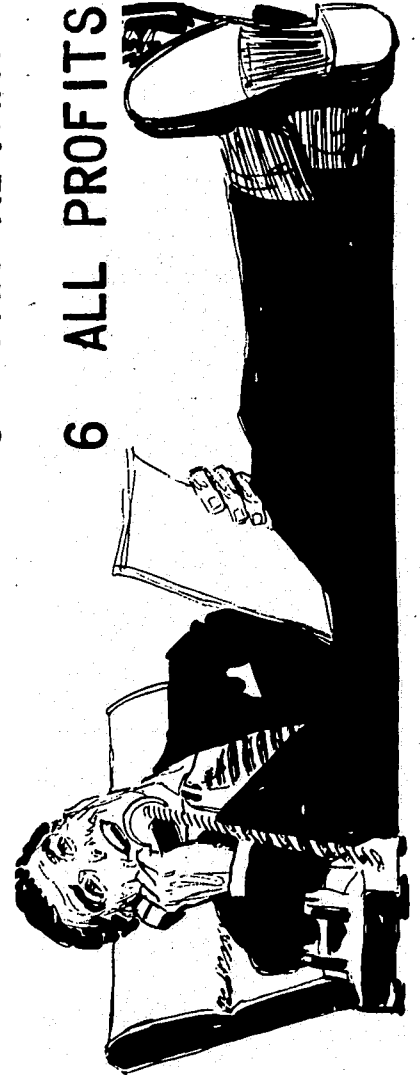
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OWNERSHIP AND CONTROL: INDIVIDUAL PROPRIETORSHIP

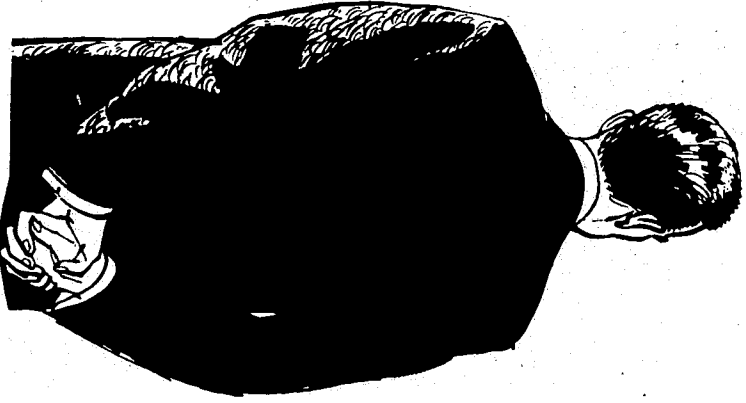
Topical Outline	Suggestions for Instructor
<p>INDIVIDUAL/SOLE/SINGLE PROPRIETORSHIP</p> <p>One person is sole owner of business.</p> <p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>A. Low start up/formation costs.</li> <li>B. Greatest freedom from regulations. Oldest, most widespread legal form of business. Little doubt remains to influences of laws regulating legal rights, obligations.</li> <li>C. Owner in direct control. Avoids problems of opposing factions. divided responsibility.</li> <li>D. Minimal working capital requirements.</li> <li>E. Tax advantage to smaller owner.</li> <li>F. All profits to owner.</li> <li>G. Easy to start.</li> </ul> <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> <li>A. Unlimited liability. Personally liable for all debts of his business, to extent of his entire property.</li> <li>B. Lack of continuity. Have no time limits set on them by law, but illness of owner may derange business and death ends it.</li> <li>C. Difficult to raise capital. May borrow money, purchase equipment on credit, invest additional amount himself. Since personally liable, funds he can borrow will be limited by his own circumstances.</li> <li>D. Lack of exchange of opinions. Many are not competent to handle all management jobs.</li> </ul>	<p>Overhead I-A</p> <p>Ex: Might have to pay State tax or license fee.</p> <p>Example: taxed on profits. Personal income tax.</p> <p>Example: Find out whether you need license to carry on business, whether you have to pay State tax or license tax.</p> <p>Overhead I-B</p>

# ADVANTAGES of THE SINGLE PROPRIETORSHIP

- 1 LOW START - UP COSTS
- 2 GREATEST FREEDOM FROM REGULATION
- 3 OWNER IN DIRECT CONTROL
- 4 MINIMAL WORKING CAPITAL REQUIREMENTS
- 5 TAX ADVANTAGE TO SMALL OWNER
- 6 ALL PROFITS TO OWNER



# DISADVANTAGES of THE SINGLE PROPRIETORSHIP



- UNLIMITED LIABILITY
- LACK OF CONTINUITY
- DIFFICULT TO RAISE CAPITAL



LESSON

2

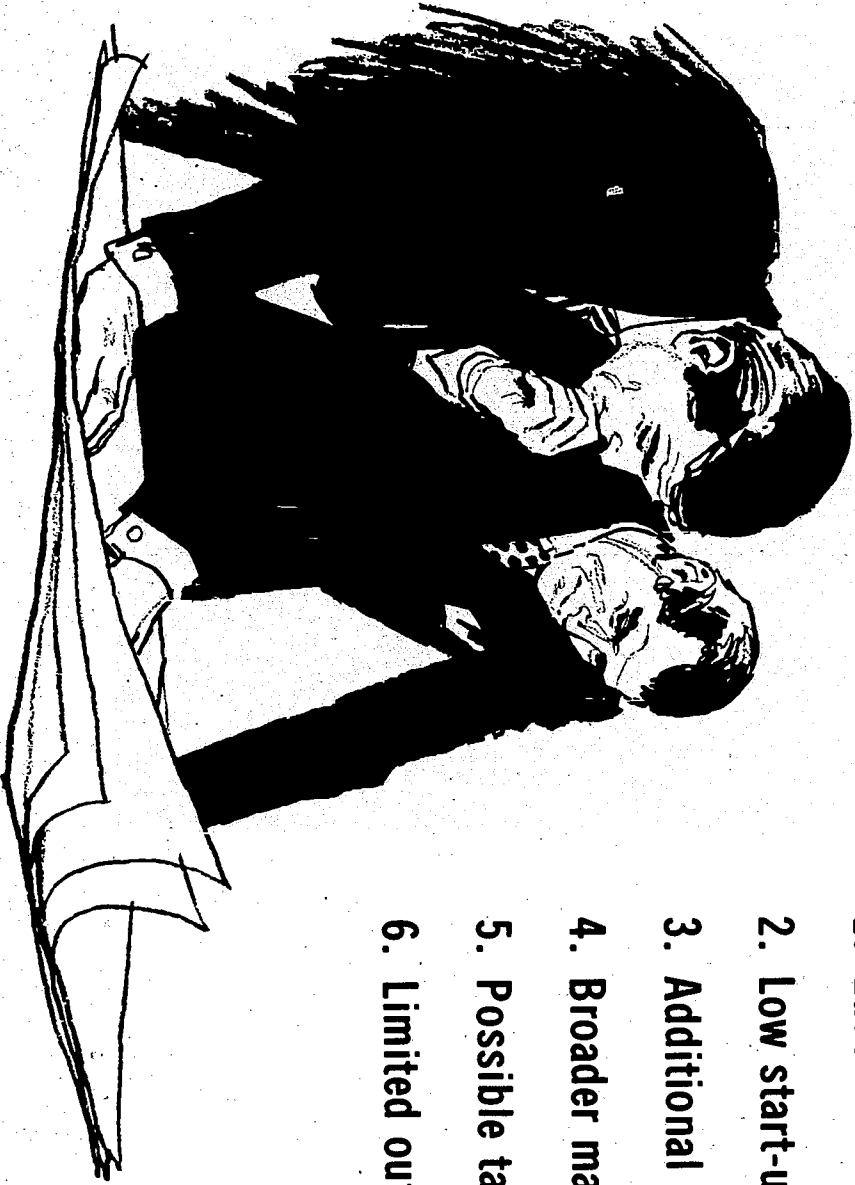
OWNERSHIP AND CONTROL: PARTNERSHIP

Topical Outline	Suggestions for Instructor
<p>PARTNERSHIP</p>	
<p>When 2 or more people own a business.</p>	
<p><u>Advantages</u></p>	<p>Overhead 2-A</p>
<p>A. Ease of formation. Have executives contract to do business together. Articles of co-partnership states important points of partnership. (money each invests, how profits will be split, division of duties, etc.)</p> <p>B. Low start-up costs.</p> <p>C. Additional sources of venture capital. Resources of all partners are combined.</p> <p>D. Broader management base. Combined abilities, knowledge of several executives.</p> <p>E. Possible tax advantage.</p> <p>F. Limited outside regulations. State may require purchase of license to carry on particular kind of business. License will be equally available to businessmen of any State so long as they conform to prescribed uniform standards.</p>	<p>Check whether you have to have license.</p> <p>Check whether you have to pay a State tax or license fee.</p>
<p><u>Disadvantages</u></p>	<p>Overhead 2-B</p>
<p>A. Unlimited liability. Each member responsible for all debts owned by partnership, irrespective of amount of his own investment in the business.</p> <p>B. Lack of continuity. Terminated by death or withdrawal of any partner.</p> <p>C. Divided authority. Division of functional responsibility among partners may lead to policy disagreements.</p> <p>D. Difficulty in raising additional capital. Limited by partners' circumstances.</p> <p>E. Hard to find suitable partners.</p>	
<p>LIMITED PARTNERSHIP</p>	
<p>Limited partners have no voice in management and are liable only for amount of investment. There must be at least 1 general partner who has unlimited liability in limited partnership.</p>	

# ADVANTAGES OF THE PARTNERSHIP

## Advantages of the Partnership--guide

1. Ease of formation
2. Low start-up costs
3. Additional sources of venture capital
4. Broader management base
5. Possible tax advantage
6. Limited outside regulation



# DISADVANTAGES of THE

## PARTNERSHIP

- 1 UNLIMITED LIABILITY
- 2 LACK OF CONTINUITY
- 3 DIVIDED AUTHORITY
- 4 DIFFICULTY IN RAISING  
ADDITIONAL CAPITAL
- 5 HARD TO FIND SUITABLE  
PARTNERS







LESSON

3

OWNERSHIP AND CONTROL: CORPORATIONS

Topical Outline	Suggestions for Instructor
CORPORATIONS	
Most formal of all business structures.	
<u>Advantages</u>	Overhead 3-A
<ul style="list-style-type: none"> <li>A. Limited liability. Creditors can force payment on claims only to limit of company's assets. Shareholder may lose money put into company, cannot be forced to contribute additional funds out of own pocket to meet business debts.</li> <li>B. Specialized management. Board of Directors hires the officers to run the company.</li> <li>C. Ownership is transferrable. Certificates of stock can be transferred from one person to another without hampering concern's operation.</li> <li>D. Continuous existence. Withdrawal, insolvency, injury, illness, death of person officially concerned in corporation does not mean its finish.</li> <li>E. Legal entity. Has separate legal life, can sue and be sued.</li> <li>F. Possible tax advantages.</li> <li>G. Easier to raise capital. Best position to attract capital. Acquire additional funds by borrowing money by pledging corporate assets. May sell securities (stocks and bonds) to the public.</li> </ul>	
<u>Disadvantages</u>	Overhead 3-B
<ul style="list-style-type: none"> <li>A. Closely regulated. Regulated by numerous State laws which vary considerably from state to state.</li> <li>B. Most expensive form to organize. When filing Articles of Incorporation, must pay an initial tax and certain filing fees.</li> <li>C. Charter restrictions. Scope of activity and name restricted by charter granted by state.</li> <li>D. Extensive recordkeeping necessary.</li> <li>E. Double taxation. Profits of company taxed by Government and then taxed again when distributed to shareholders in form of dividends.</li> </ul>	

Topical Outline	Suggestions for Instructor
F. Ownership and management separated. Danger of irregularities and frauds because of impersonal management.	
COMPARISON	
A. Liability Characteristics	Overhead 3-C
B. Continuity	Overhead 3-D

# ADVANTAGE OF THE

# CORPORATION



## Advantages of the Corporation

33

1. Limited liability
2. Specialized management
3. Ownership is transferrable
4. Continuous existence
5. Legal entity
6. Possible tax advantages
7. Easier to raise capital

# DISADVANTAGES of THE

# CORPORATION



- 1 CLOSELY REGULATED
- 2 MOST EXPENSIVE FORM TO ORGANIZE
- 3 CHARTER RESTRICTIONS
- 4 EXTENSIVE RECORDKEEPING NECESSARY
- 5 DOUBLE TAXATION

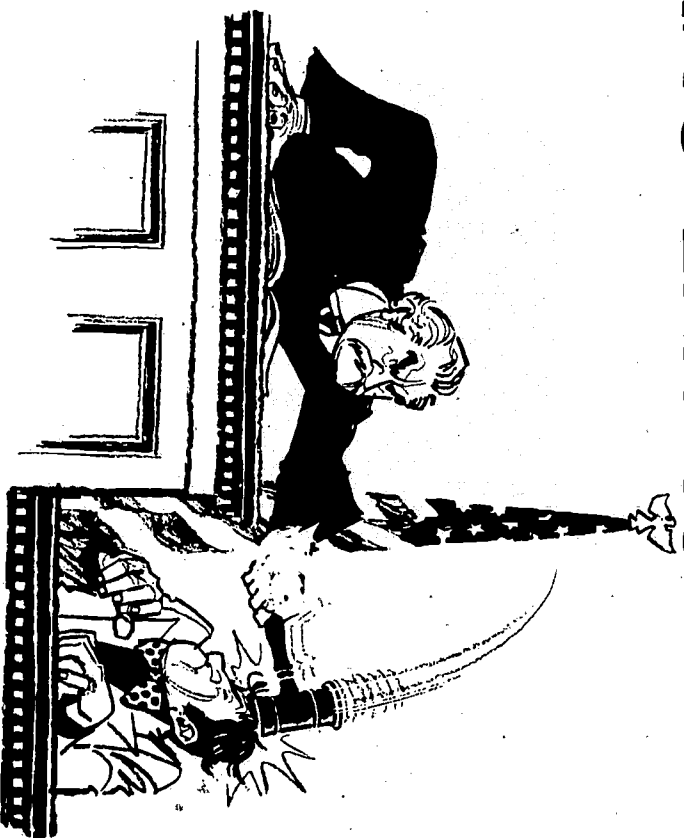
# LIABILITY CHARACTERISTICS

**SOLE PROPRIETOR—**  
Personally liable for all obligations

**GENERAL PARTNERSHIP—**each partner  
personally liable to full extent

**JOINT-STOCK COMPANY—**investors liable  
as in a partnership

**CORPORATION—**shareholders not responsible  
for the corporation's obligations



# BUSINESS FORM AND CONTINUITY



Single proprietorship—may terminate

General partnership—liquidation

Corporation—no effect

Subchapter S corporation—serious problems

Limited partnership—partner may withdraw

Partnership association—no effect

Business trust—no effect

Joint-stock company—no effect





LESSON

4

OWNERSHIP AND CONTROL: STEPS IN INCORPORATING A BUSINESS



## STEPS IN INCORPORATING A BUSINESS

Laws governing procedures for obtaining corporate charter vary with individual state.

## REQUIREMENTS FOR INCORPORATION

First, is preparation, by incorporators, of "certificate of incorporation." Prepared by 3 or more legally qualified persons in manner prescribed by state law.

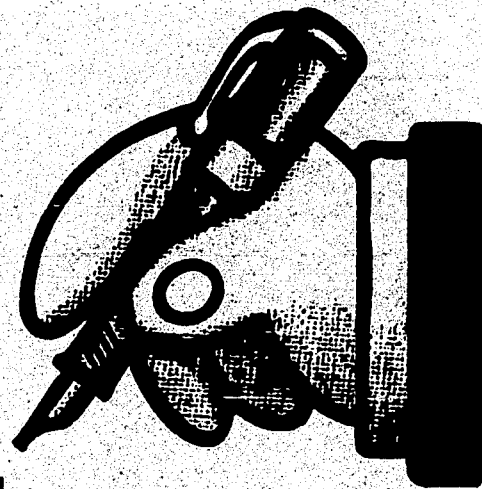
Information required in Certificate of Incorporation:

- A. Corporate name of company. Name must not be similar to other corporation authorized to do business in state. Must not be deceptive, so as to mislead the public.
- B. Purposes for which corporation is formed. In some states, activities of corporation limited to powers set forth here.
- C. Length of time for which corporation is being formed. May be period of years or perpetual.
- D. Names, addresses of incorporators. In some states, 1 or more of incorporators required to be resident of state.
- E. Location of principal office of corporation in state of corporation.
- F. Maximum amount, type of capital stock which corporation wishes authorization to issue.
- G. Capital required at time of incorporation.
- H. Names of subscribers and number of shares to which each subscribes.
- I. Names, addresses of persons who will serve as directors until first meeting of stockholders.

## CHARTER

If designated state official finds certificate has been properly executed and proposed activities doesn't violate state law, he will issue charter.

Topical Outline	Suggestions for Instructor
<p>STOCKHOLDERS</p> <p>Meet to complete incorporation process. Corporate by-laws adopted, Board of Directors elected.</p> <p>BOARD OF DIRECTORS</p> <p>Elect officers who actually have charge of operations. In small corporations, members of board frequently elected as officers.</p>	<p>Ex: President, VP, Secretary, Treasurer</p>



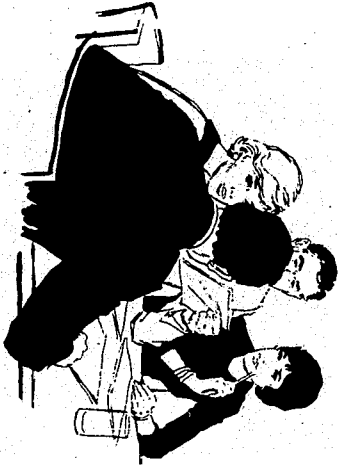
LESSON

5

OWNERSHIP AND CONTROL: FRANCHISE BUSINESS

Topical Outline	Suggestions for Instructor
FRANCHISE BUSINESS	
<p>Person with limited funds find popular way of starting small business is through franchise. Odds at being successful greater than with firm starting totally on own.</p>	<p><u>Question to class:</u> What local businesses are franchise businesses?  <u>Ex:</u> Baskin-Robbins, McDonald's, AAMCO Automatic Transmissions.</p>
DEFINITIONS	
<p><u>Franchise:</u> Legal agreement between parent company, distributor to sell product/service under specific conditions.</p>	
<p><u>Franchiser:</u> Parent company that provides popular product/service.</p>	
<p><u>Franchisee:</u> The distributor.</p>	
TYPICAL FRANCHISE AGREEMENT	
<p>Franchisee pays initial fee and monthly percentage of sales. Money needed to start varies greatly. For payments, franchisee gets exclusive right to sell product/service in specified geographical area, expert help in selecting location, special training, advertising and promotional materials.</p>	
<u>Advantages of Franchising</u>	Overhead 5-A
<ul style="list-style-type: none"> <li>A. Initial investment. Usually takes less money to start than nonfranchise business.</li> <li>B. Working capital. Less money to operate because of proven inventory controls, other means of reducing expenses.</li> <li>C. Reputation. Proven product or service to offer. Public has already accepted.</li> <li>D. Experience. Management assistance makes up for new owner's inexperience.</li> <li>E. Management assistance. Experienced retailer not expert in every field. Franchising companies offer assistance in all fields.</li> <li>F. Profits. Usually expect profit because business run with efficiency of chain.</li> </ul>	

Topical Outline	Suggestions for Instructor
<p>G. Motivation. Franchisee, franchiser benefit from success, both work hard to achieve it.</p>	
<p><u>Disadvantages of Franchising</u></p>	<p>Overhead 5-B</p>
<p>A. Fees. Fees franchiser charges for name, supplies, etc. may be too high for locality.</p>	
<p>B. Independence. Retailer loses some of his independence.</p>	
<p>C. Standardization. No chance for franchisee to use own ideas.</p>	
<p>D. Slowness. Because of size, franchiser may be slow with new ideas, changes.</p>	
<p>E. Cancellation. Difficult, expensive to cancel agreement without cooperation of franchise company.</p>	

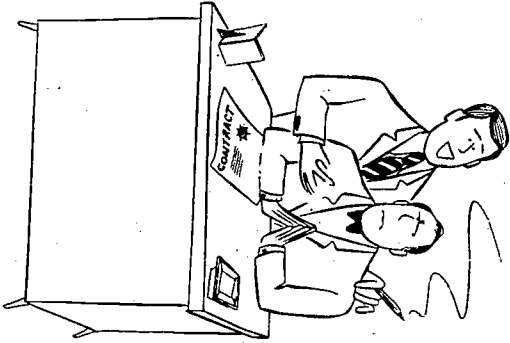


# ADVANTAGES of FRANCHISING

1. Smaller than usual capital investment
2. Less working capital than normally required
3. Product or service usually has prior public acceptance
4. Inexperience and limited education less of a handicap
5. Management assistance
6. Better than average profit margins are typical

# DISADVANTAGES

## of FRANCHISING



1. Franchisor fees, supplies, and charges may be high
2. Some loss of independence
3. Contract may be difficult to cancel
4. Possible problems working with franchisor agents

Name \_\_\_\_\_

Assume that you are going to form a partnership. What are some of the possible problems that you might run into? What steps could you take to minimize the problems?



Name \_\_\_\_\_

## CROSSWORD PUZZLE CLUES

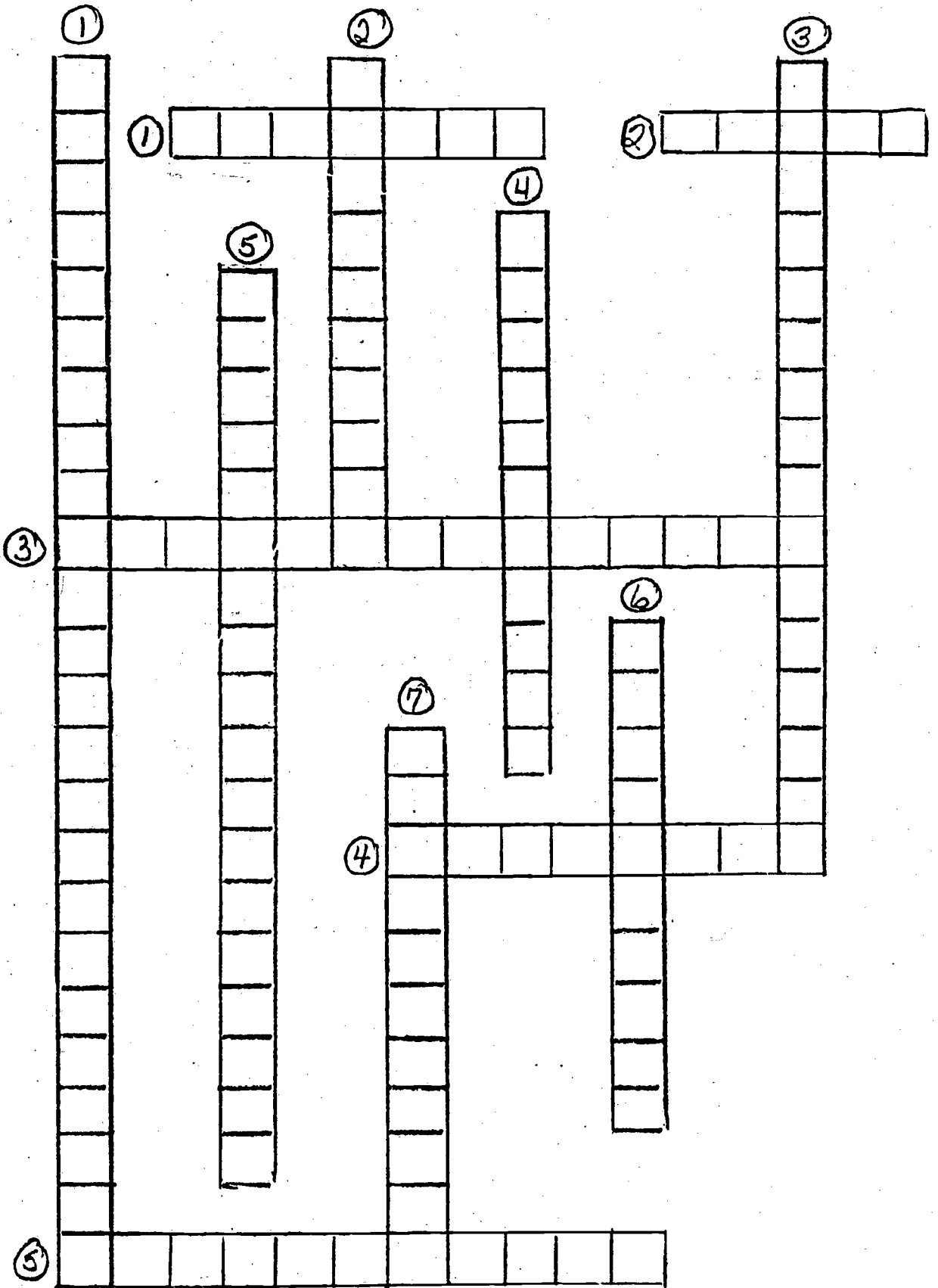
### ACROSS

1. Granted to a corporation by a state official.
2. Represents ownership in a corporation.
3. Person who invests in business but has no voice in management.
4. People who actually run the corporation.
5. When 2 or more people own a business.

### DOWN

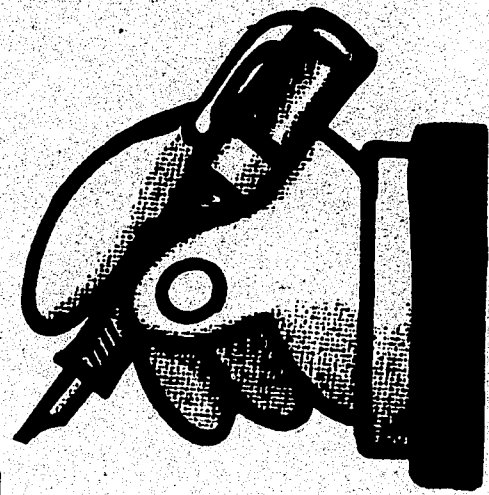
1. When 1 person is owner of a business.
2. In franchise business, the distributor.
3. They elect the officers of the corporation.
4. The most formal of all business structures.
5. When each member of a partnership is responsible for all debts owed by the partnership.
6. In franchise business, the parent company that provides product/service.
7. Person who owns a share of the corporation.

Name \_\_\_\_\_



ANSWER TO CROSSWORD PUZZLE

① INDIVIDUAL  
 ② CHARTER  
 ③ STOCK  
 ④ CORPORATION  
 ⑤ UNLIMITED  
 ⑥ PARTNER  
 ⑦ SHARES  
 ⑧ LIABILITY  
 ⑨ STOCKHOLDERS  
 ⑩ OFFICERS  
 ⑪ PARTNERSHIP



LESSON

6

STORE IMAGE

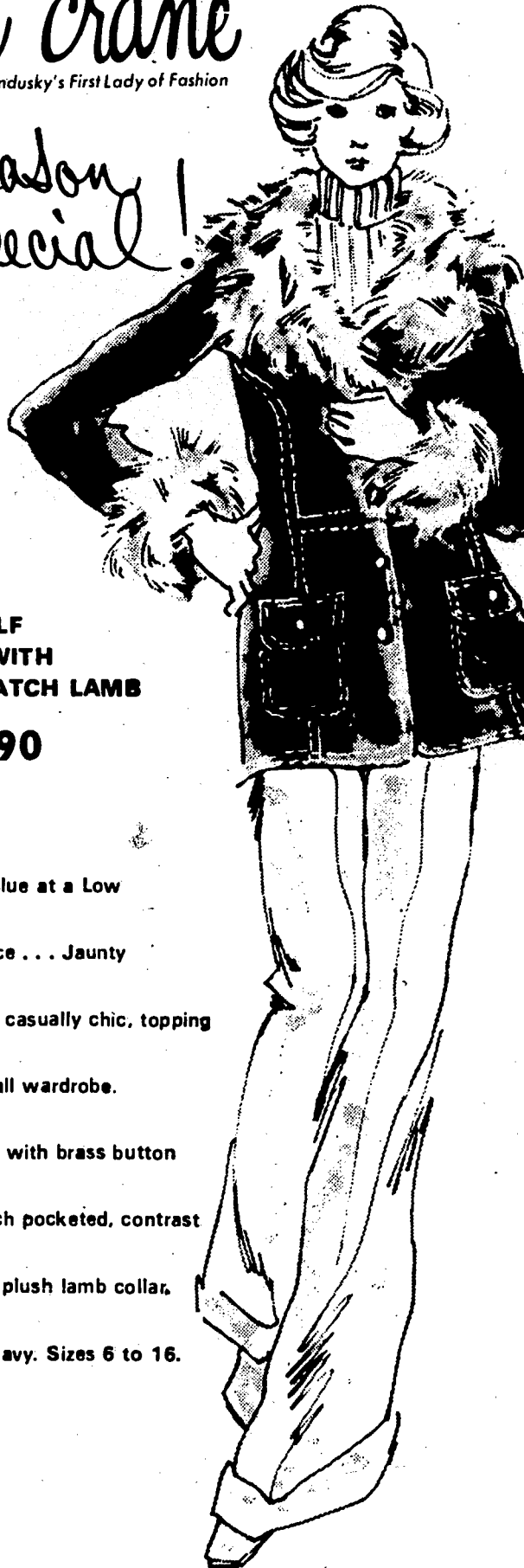
Topical Outline	Suggestions for Instructor
<p>STORE IMAGE</p> <p>Way consumers "feel" about store. What people believe to be true about it and how well those beliefs coincide with what they think it <u>should</u> be like. Consumers' image of <u>store</u> may be accurate or be quite different from actual conditions.</p>	<p><u>Question to class:</u> What is meant by the term "store image?"</p> <p><u>Question to class:</u> Does every store have an image?</p>
<p>CONCERN ABOUT STORE IMAGE</p> <p>Flow of customer traffic depends on a store image.</p>	<p><u>Question to class:</u> Why is store image so important to owner of business?</p>
<p>ELEMENTS THAT MAKE UP STORE IMAGE</p> <p>Specific features of store provide elements that make up image.</p> <ol style="list-style-type: none"> <li>1. <u>Price Policy</u> Customers usually make up mind about store's prices from advertising, displays, merchandising practices, location. They rely on impression of pricing policies rather than on actual knowledge. Price lines must be consistent with other elements.</li> <li>2. <u>Merchandise Variety</u> Image improves when customers find product they like and can't find in another store. If one product displeases customer, they are more critical of other products. Eliminates items that give negative image.</li> <li>3. <u>Employees</u> See that employees create impression consistent with the operation. Negative impression formed if quality of store's personnel is considerably above or below level of most customers. Employees should dress, speak in way customers feel comfortable talking to them.</li> </ol>	<p><u>Question to class:</u> How are store images formed?</p> <p>Ex: Supermarket installed carpeting. Plush floor covering created higher price image. Customers felt prices had gone up even though they had not.</p> <p>Ex: Quality restaurant suffered because of "chatty" waitresses. Customers wanted quiet and decorum when they dined by candlelight.</p>

Topical Outline	Suggestions for Instructor
<p>4. <u>Store's Appearance</u>            Outside appearance of store should attract potential customers as well as be appealing to your present customers. Inside store, fixtures, layout, displays, should create atmosphere in which customer will feel "at home."</p>	<p>Ex: Fixtures which are classic in design usually appeal to older, more conservative groups. Plain, inexpensive-appearing fixtures appeal to young families on limited incomes. Low ceilings make store more personal. Indirect lighting associated with quality merchandise. Some colors are more masculine than others.</p>
<p>5. <u>Type of Clientele</u>            Image is determined by type of people who shop there.</p> <p>If your store does profitable business by appealing to certain economic group, don't try to be all things to everyone. Look for ways to increase satisfaction which present customers find in your operation.</p>	<p>Ex: Some people think of a store as one where professional people shop. They think of other stores as where blue collar workers usually shop.</p> <p>Have class give names of local stores that they feel appeal to certain economic groups.</p>
<p>6. <u>Advertising</u>            Advertising communicates things of both a physical and psychological nature.</p>	<p>Overheads 6-A through 6-E</p> <p>Ex: When printed ads are full of heavy black print, customers get impression of low prices. White spaces often implies quality.</p>
<p>CHANGING YOUR IMAGE</p> <p>Don't try to change store's image without careful thought and planning. Small retail stores cannot be all things to all people. They are successful because they specialize, owner-managers build image around particular specialty.</p>	

Topical Outline	Suggestions for Instructor
<p data-bbox="141 210 500 241">MAINTAINING YOUR IMAGE</p> <p data-bbox="141 273 562 304">Review image periodically.</p> <ol data-bbox="141 336 770 913" style="list-style-type: none"><li data-bbox="141 336 770 567">1. Listen to customers. Ask them about your store. Gives idea of strong points. What they buy and don't buy speaks louder than words. Customer complaints can help you deal with reluctant customers. Look at your competitors. Do comparison shopping.</li><li data-bbox="141 598 770 693">2. Listen to noncustomers. Tips from associates in civic, community clubs. Have employees query their friends.</li><li data-bbox="141 724 770 798">3. Exchange a check. Have a retailer with similar store exchange visits.</li><li data-bbox="141 819 770 913">4. Marketing Research. Use formal marketing research. Use local, or nearby talent to conduct study.</li></ol>	

*Caryl Crane*  
Sandusky's First Lady of Fashion

*Pre-season  
Special!*



**SUEDED CALF  
LAVISHED WITH  
DYED TO MATCH LAMB**

**\$79<sup>90</sup>**

A marvelous value at a Low

Pre-Season Price . . . Jaunty

sueded calf . . . casually chic, topping

for your new Fall wardrobe.

Single breasted with brass button

closing . . . patch pocketed, contrast

stitch seaming, plush lamb collar.

Cork, Brown, Navy. Sizes 6 to 16.



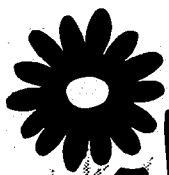
 **Special**  
**ALL WEATHER COATS**  
**10.00** Values to 30.00

**DRESSES**  
**ONE PRICE 10.00**  
Values to 50.00

**BIKINIS 3 pr.-2.00**  
**BRA SETS 1.50** reg. 3.00

**SUMMER JEWELRY**  
**and HANDBAGS**  $\frac{1}{2}$  OFF

**SUMMER COORDINATES**  $\frac{1}{2}$  PRICE  
**SPECIAL GROUP BIKINIS 5.00** reg. 12.00  
**T-SHIRTS 4.00** reg. 6.00



**Harriet's** INC.

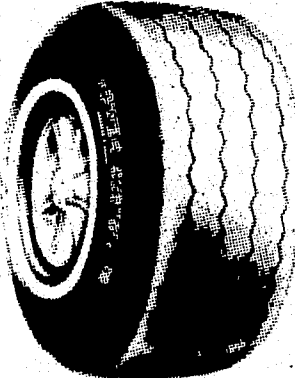
WEAR IT'S AT !!

Open Monday and Friday til 9

141 E. Market St. Phone 627-0875

# GUARANTEED FOR LIFE

of tread against all road hazards, cuts, breaks, bruises, etc. Pro-rated on actual current selling price. No limit as to time or mileage



**L78-15**  
FULL 4-PLY  
POLYESTER  
WHITEWALLS

**29<sup>50</sup>**

**EXTRA WIDE "78"**  
FULL 4-PLY NYLON CORD  
EXTRA DEEP 5-RIB TREAD  
FOR SAFETY & TRACTION  
BLACKWALLS

**E78-14 \$20**

**F78-14 21**

**G78-14 23**

**H78-14 24**

**H78-15 27<sup>50</sup>**

**J78-15 WHITE-WALLS**

**Big New Deluxe  
4-Ply Nylon Cord**

700-13 **15<sup>95</sup>**  
735-14

775-14 **16<sup>95</sup>**  
775-15

825-14 **18<sup>95</sup>**  
815-15

855-15 **20<sup>95</sup>**

BLACKWALLS

**FAT "50s" IN MOST SIZES**

**RADIAL TIRE SPECIALISTS**

**MUSCLE TIRES**  
RAISED WHITE LETTERS  
**WIDE OVAL "70s"**  
Full 4-Ply Nylon Cord

**A70-13 24**

**E70-14 27**

**F70-14 30**

**G70-14 32**

**"FAT 60s"**

F60-14 **\$32**

F60-15 **37**

G60-14

G60-15

**BRAND NEW FIRST QUALITY**

**SPECIAL ATTENTION!**  
**BOB EDDY/DAYTON**

**DISCOUNT  
CARD HOLDERS**  
**WE WILL HONOR YOUR  
DISCOUNT CARDS AND  
GIVE EXCELLENT SERVICE**

**WE HONOR MASTER CHARGE OR BANKAMERICARD**

Free Mounting • Large Selection Used Tires • All Sizes Boat Trailer Tires

**GET OUR LOW, LOW PRICES ON FIRESTONE, GOODYEAR, GOODRICH TIRES**

**OVER 57 YEARS  
IN THE SAME  
LOCATION  
IS YOUR  
GUARANTEE OF  
SATISFACTION**

**TOLEDO TIRE**

CORPORATION

1020 MADISON CORNER 11th

STORE HOURS: OPEN DAILY 8-6, SAT. 8-4

**PHONE  
CH 8-3701  
PLENTY  
OF FREE  
PARKING IN  
REAR OF STORE**

NOW IN PROGRESS...at PIONEER

# Ethan Allen Home Fashion Sale.

Now you can decorate any room in your home at substantial savings.



Save from 10% to 20%  
**ALL IN THE FAMILY...**

## Ethan Allen Galleries.

We can help you have the home you want.

- 20-7743 Sofa, 83". Reg. (as shown) \$549.00 Sale \$474.75
- 10-8440P Cocktail Table. Reg. \$99.50..... Sale \$ 79.50
- 10-4551P Chest, 40". Reg. \$209.50..... Sale \$177.50
- 10-4058 Bookcase. Reg. \$129.50..... Sale \$104.50
- 10-4510P Chest, 30". Reg. \$159.50..... Sale \$134.50
- 10-4019 Bookcase. Reg. \$99.50..... Sale \$ 79.50
- 50-1010 Color TV, 19" visible diagonal, G.E. 100% solid state chassis. Reg. \$569.50..... Sale \$509.50
- 10-8444P End Table. Reg. \$99.50..... Sale \$ 79.50
- 10-8442P Step Table. Reg. \$99.50..... Sale \$ 79.50

# PIONEER

## TRADITION HOUSE

5690 MONROE ST.

OPEN MON., TUES., THURS., FRI. 9-9  
WED. 9-5; SAT. 10-5

## COLONIAL HOUSE

6205 SUMMIT ST.


OPEN: MON., TUES., THURS., FRI. 9-9  
WED. 9-5; SAT. 9-5



# FUN CITY

**OPEN DAILY 10 A.M. - 9 P.M.**  
**OPEN SUNDAY 11 A.M. - 6 P.M.**  
**4 DAY SALE Fri., Sat., Sun., Mon.**

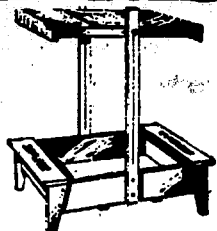
### GYM SETS..... YOUR CHOICE



REG. 59.99  
**47.99**

**BLAZON**  
or **GYM DANDY**

- 62561, 6 LEG GYM SET, SLIDE, 2 SWINGS, AIR GLIDE
- 415901, 6 LEG 7 FT. SLIDE, 2 SWINGS, GLIDER, 13'9" TOP BAR

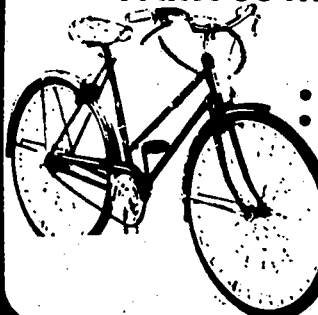


### 2-SEATER SANDBOX

- Colorful top canopy
- 36" wide x 36" long
- #602

Our Low **9.99**  
Reg. 12.99

### FAMOUS MAKE 3-SPEED



#### LADIES', MEN'S BIKES

LADIES' 24" — MEN'S 26"

- Caliper brakes for sure stop
- Ball Bearing Pedals — reflectors
- Ladies' AMF 1413
- Men's Murray 6440

Our Low **\$58**  
Reg. \$66

### MARX BIG WHEEL



- 3 wheeled Speedy Cycle

Our Low **13.99**  
Reg. 14.88

### PLAY SAND 1.39

75 LBS.

## MUSKIN FILTER SALE

### CLEARANCE SALE

	Reg.	Sale
Muskin SAND FILTER #FA038R .....	\$ 77	<b>\$ 65</b>
Muskin SAND FILTER #FA026R .....	\$115	<b>\$ 89</b>
Muskin SAND FILTER #FH346E.....	\$185	<b>\$150</b>
Muskin SAND FILTER #FH346C .....	\$235	<b>\$169</b>



## SWIMMING POOLS ..... CLEARANCE SALE

### LUMINA POOL SERIES—6" LEDGE

15'x48" ..... \$250    18'x48" ..... \$275

### MALIBU POOL SERIES—6" LEDGE

15'x48" ..... \$199    24'x48" ..... \$299

# FINAL CLEARANCE SALE

## POOLS — LADDERS — POOL SUPPLIES

Name \_\_\_\_\_

Select 2 similar retail establishments in our community. The first store should be the one that you visit often. -The second store should be one you rarely enter. Describe the image of the stores as you see them. (Examples: Describe the images of McDonald's and Burger King, Sears and Penney's, Sohio and Sunoco.)

Name of first establishment: \_\_\_\_\_

Describe image:

Name of second establishment: \_\_\_\_\_

Describe image:

Name \_\_\_\_\_

Cut out 5 newspaper advertisements. Describe the image that the store projects through its advertisements. State whether the ad image coincides with the image that you have of the store through personal experiences. Attach the advertisements to the back of this page.

Store 1: Name \_\_\_\_\_

Store 2: Name \_\_\_\_\_

Store 3: Name \_\_\_\_\_

Store 4: Name \_\_\_\_\_

Store 5: Name \_\_\_\_\_

Name \_\_\_\_\_

In the puzzle below, the 6 elements that help make up a store's image are listed. Circle the elements when you find them.

Y C I L O P E C I R P D G  
A L H Q U T X A M E D I C  
D I F L V G A L V S E N O  
V E T S E I Y P P E T A M  
W N A F R V T A L U E D S  
S T B L E H E F I R R V C  
I E U O M E I X A S M E E  
D L S C O W R T U T I R I  
A E P T S R A G R O N T L  
S O N A U E V N I R E I C  
E M P L O Y E E S E D S E  
I A S C A T S E S A N I P  
M C H U D L I D I P O N R  
P S I O N C D N Q P N G O  
R K I O M L N I T E T I D  
E C I Y I A A N S A N D U  
S P C M G L H E D R S N E  
O S R M U N C U E A I Q M  
V E S B L I R P R N S S E  
P F L E V E E O A C T T L  
S T O R E I M A G E E X E

Key to Puzzle:

Y	C	I	L	O	P	E	C	I	R	P	D	G
A	L	H	Q	U	T	X	A	M	E	D	I	C
D	I	F	L	V	G	A	L	V	S	E	N	O
V	E	T	S	E	I	Y	P	P	E	T	A	M
W	N	A	F	R	V	T	A	L	U	E	D	S
S	T	B	L	E	H	E	F	I	R	R	V	C
I	E	U	O	M	E	I	X	A	S	M	E	E
D	L	S	C	O	W	R	T	U	T	I	R	I
A	E	P	T	S	R	A	G	R	O	N	T	L
S	O	N	A	U	E	V	N	I	R	E	I	C
E	M	P	L	O	Y	E	E	S	E	D	S	E
I	A	S	C	A	T	S	E	S	A	N	I	P
M	C	H	U	D	L	I	D	I	P	O	N	R
P	S	I	O	N	C	D	N	Q	P	N	G	O
R	K	I	O	M	L	N	I	T	E	T	I	D
E	C	I	Y	I	A	A	N	S	A	N	D	U
S	P	C	M	G	L	H	E	D	R	S	N	E
O	S	R	M	U	N	C	U	E	A	I	Q	M
V	E	S	B	L	I	R	P	R	N	S	S	E
P	F	L	E	V	E	E	O	A	C	T	T	L
S	T	O	R	E	I	M	A	G	E	E	X	E





LESSON

7

FINANCING A RETAIL BUSINESS

Topical Outline	Suggestions for Instructor
<p>FINANCING A RETAIL BUSINESS</p> <p>To start a business, you need experience, training and capital.</p> <p>CAPITAL</p> <p>Capital is money needed to start business and to keep it operating.</p> <p>1. <u>Initial capital</u> Initial capital is money used to start the business. Buy things that are used over a long period of time. Items bought with initial capital can't be turned into cash in short periods of time. A. Fixed assets: durable, permanent things. B. Supplies, inventory needed to open business.</p> <p>2. <u>Current/Working capital</u> Funds used to operate the business. A. Pay operating expenses. B. Buy merchandise.</p>	<p>Overhead 7-A</p> <p>Ex: Land, building, equipment, fixtures</p> <p>Ex: salaries, taxes, light, power, advertising</p>
<p>CAPITAL NEEDED</p> <p>Amount required varies with character of business, current costs and price trends, types of fixtures and equipment needed.</p> <p>1. <u>Merchandise inventory</u> Most important single asset. Capital needed for initial inventory.</p> <p>2. <u>Store fixtures and equipment</u> Each individual item of furniture, fixtures, equipment--individual purchase prices should be determined.</p> <p>3. <u>Preopening expenses</u> Involves money for advertising, legal fees, special licenses, similar items.</p>	<p>Overhead 7-B</p>



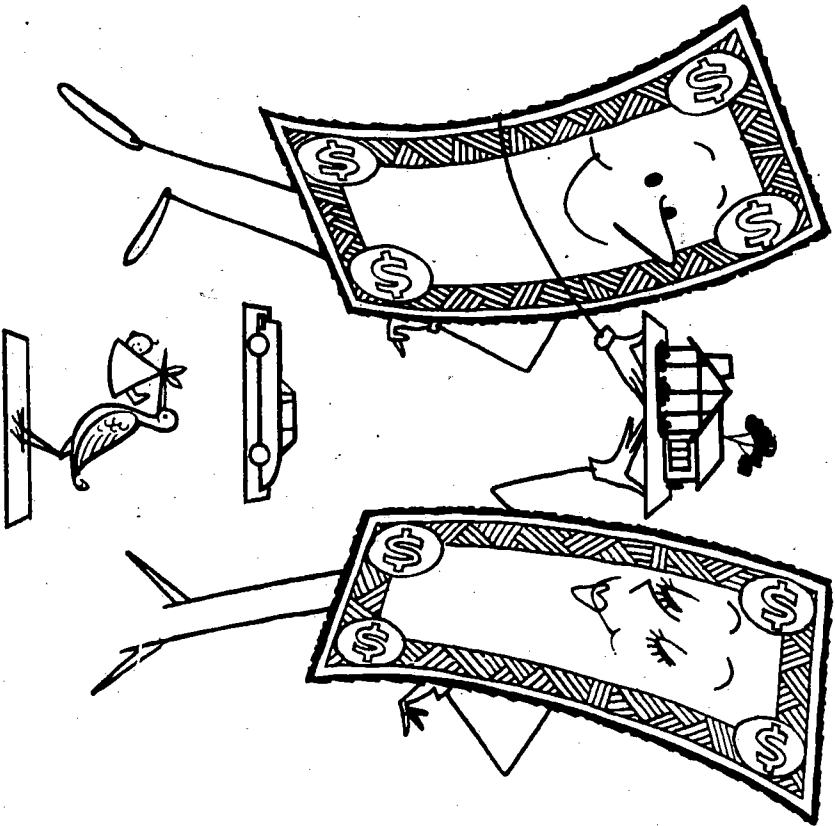
Topical Outline	Suggestions for Instructor
<p>4. <u>Accounts receivable</u> Normal lag between billing and receipt of payment and because of some slow-paying customers. Credit will be outstanding on the average of 60 days.</p> <p>5. <u>Operating expenses during the early months</u> Have capital available to meet operating expenses during early months when sales are not likely to be at normal level. Necessary expenditures should be planned for approximately 3 months.</p> <p>6. <u>Operating cash and contingencies</u> Money needed to build inventory for peak season and amount set aside to meet unanticipated business emergency expenses.</p>	
<p>SOURCES OF CAPITAL</p>	
<p>1. <u>Personal savings</u> Few people will lend money to individual who has none of his own in business. Withhold enough money to meet living expenses until business is capable of supporting you.</p>	<p>Overhead 7-C</p>
<p>2. <u>Buying on credit</u> Arrangements to buy furniture and fixtures on credit. So much down, % upon installation, balance covered by notes payable over 1 year.</p>	<p>Overhead 7-D</p>
<p>3. <u>Business loans</u> Loan is money borrowed with a written promise to pay. A business loan is usually a secured loan.</p> <p>Commercial banks/loan companies lend money on negotiable collateral.</p> <p>They also lend money if borrower gets responsible person to sign note as guarantee that loan will be repaid.</p>	<p><u>Definitions:</u> <u>secured loan:</u> borrower gives lender right to some property that can be sold in case the borrower does not pay as promised.</p> <p><u>negotiable collateral:</u> something of value which bank can sell if buyer fails to repay.</p> <p>Such a person is known as <u>co-maker</u>.</p>
<p>4. <u>Personal loans</u> From friends, relatives. This type of loan is usually unsecured.</p>	



Topical Outline	Suggestions for Instructor
<p>5. <u>Finance companies</u>            Business sometimes sells its accounts receivable to finance company. Businessman receives money immediately, relieved of responsibility of collecting payments from customers.</p>	
<p>6. <u>Partners</u>            Taking either active or silent partner into business.</p>	<p>Definitions:  <u>active partner</u>: furnishes money for interest in business. Helps in business management.  <u>silent partner</u>: lends money for pledged interest in business, but takes no part in management. In case borrower cannot repay, he can assume control.</p>
<p>7. <u>Corporate financing</u>            Used by large companies. Done through the sale of stocks and bonds.</p>	
<p>8. <u>Small Business Investment Companies</u>            Small Business Investment Act of 1958 licensed Small Business Administration (SBA) to set up local investment and development companies to lend money to small businessmen.</p>	
<p>9. <u>Financing through profits</u>            Safest and best method of financing improvements and business expansion is through reinvesting of profits in business.</p>	
<p>TYPES OF FINANCING</p>	<p>Overhead 7-E</p>
<p>1. Short Term Loans: 30-90 days</p>	
<p>2. Intermediate Term Loans: 6 months - 1 year</p>	
<p>3. Long-Term Loans</p>	
<p>4. Equity Capital</p>	

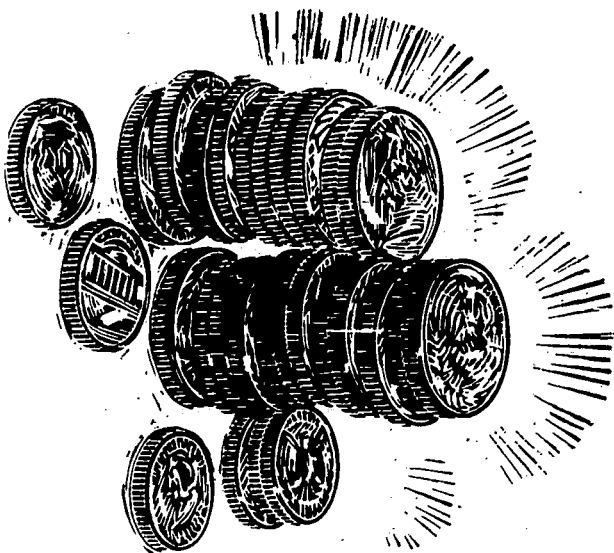
# Money for your

# Impossible Dream

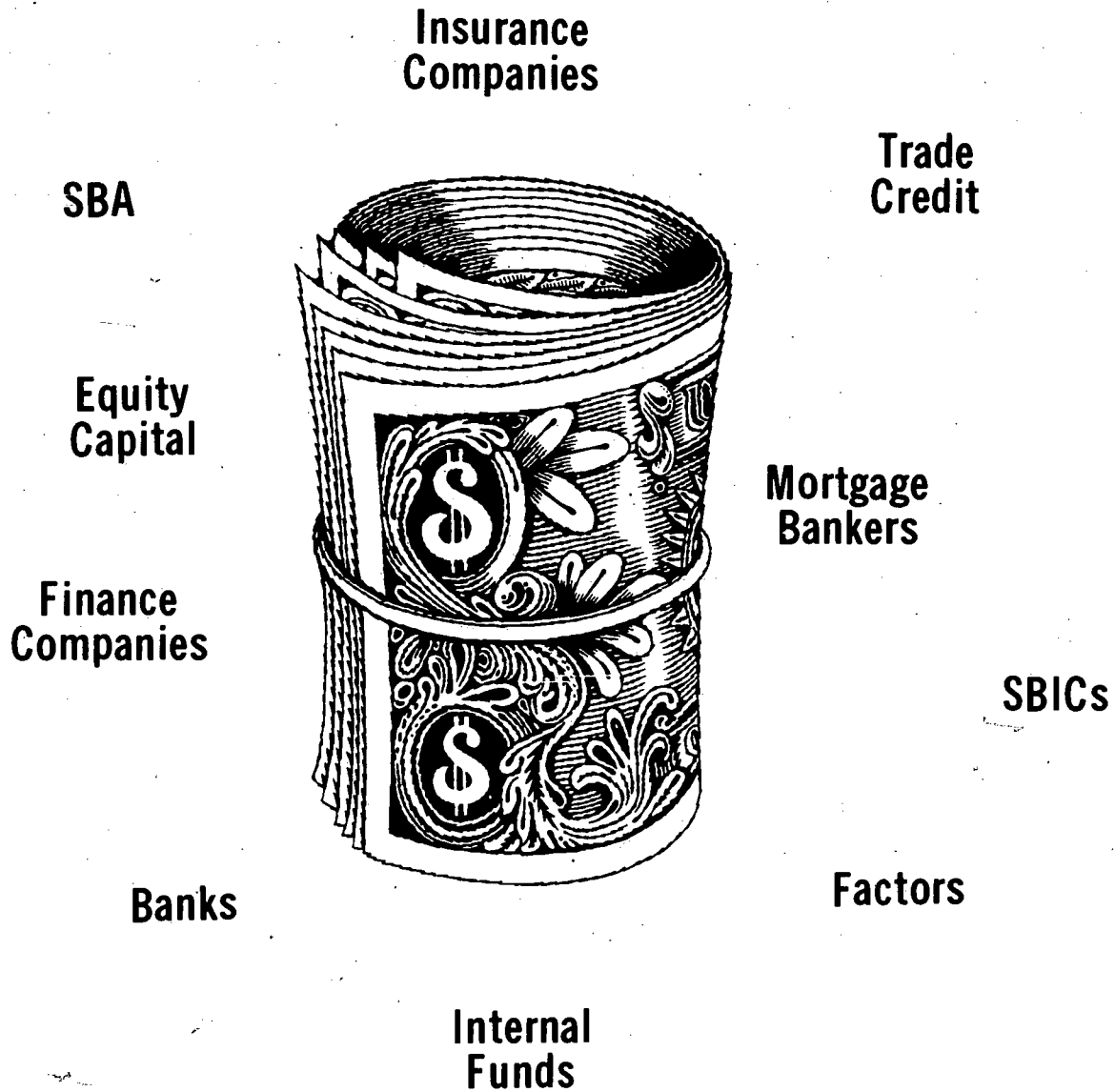


**BEFORE YOU BORROW,  
CAN YOU ANSWER  
THESE QUESTIONS?**

- WHY DO I NEED THIS CAPITAL?**
- HOW MUCH DO I NEED?**
- WHEN DO I NEED IT?**
- HOW LONG WILL I NEED IT?**
- WHERE CAN I OBTAIN IT?**
- HOW CAN I REPAY IT?**

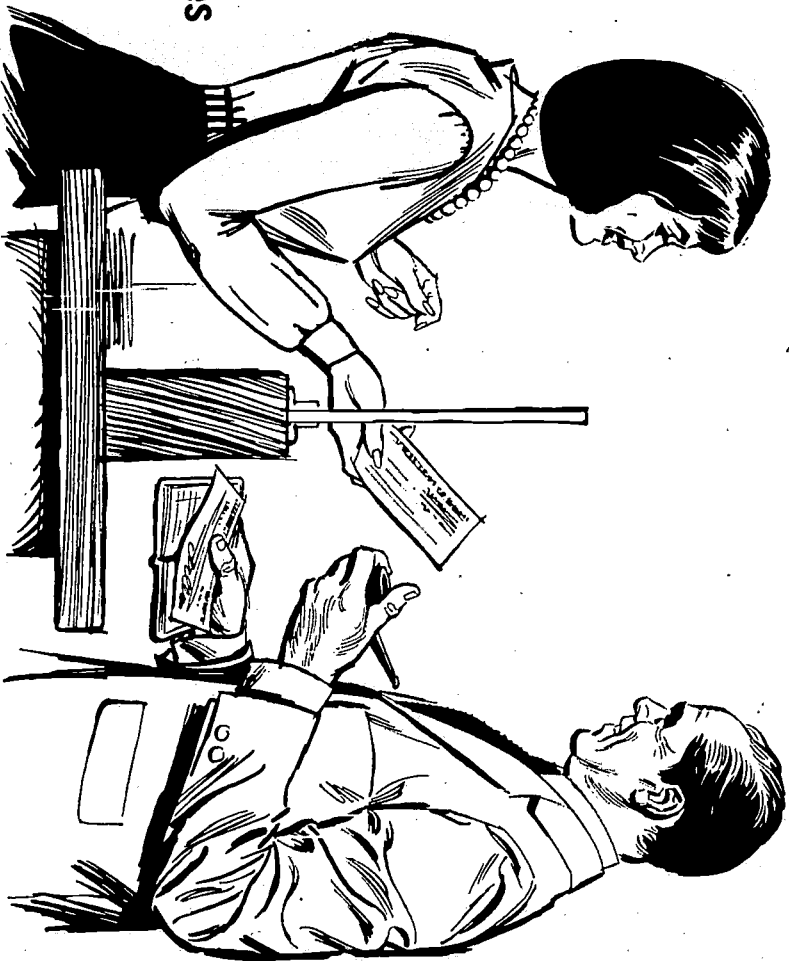


# SOURCES OF CAPITAL



# BANKING SERVICES

1. Accept Deposits
2. Cash and Certify Checks
3. Collect Notes and Bills of Exchange
4. Supply Coins and Currency
5. Furnish Credit Information
6. Give Financial Advice
7. Purchase and Sell Securities
8. Transfer Funds
9. Supply Safe Deposit Service
10. Maintain Foreign Finance Services
11. Administer Trusts
12. Serve as Financial Reference





# TYPES OF CAPITAL

- SHORT-TERM LOANS
- INTERMEDIATE-TERM LOANS
- LONG-TERM LOANS
- EQUITY CAPITAL



Name \_\_\_\_\_

Fill in the following answers and then find them in the puzzle.

1. Money used to start a business. \_\_\_\_\_
2. Money borrowed with a written promise to pay. \_\_\_\_\_
3. Safest and best method of financing improvements and business expansion.  
Reinvestment of \_\_\_\_\_
4. Money obtained through the sale of stocks and bonds. \_\_\_\_\_
5. Lends money for pledged interest in business but takes no part in  
management. \_\_\_\_\_
6. Funds used to operate business. \_\_\_\_\_
7. Borrower gives lender right to some property that can be sold in case  
borrower does not pay as promised. \_\_\_\_\_
8. Money from friends, relatives usually unsecured. \_\_\_\_\_ loan
9. Person who borrower gets to sign note as a guarantee that loan will be repaid.  
\_\_\_\_\_
10. Furnishes money for interest in business. Helps in business management.  
\_\_\_\_\_

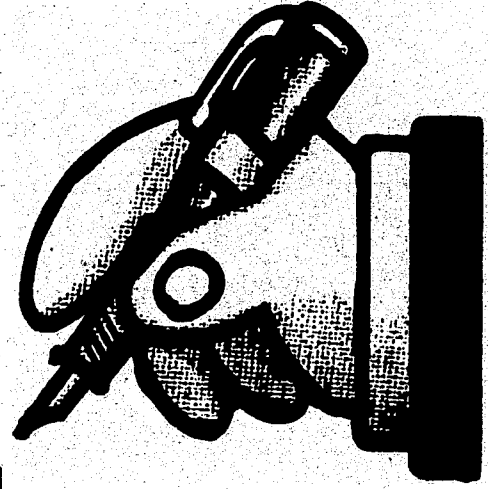
Name \_\_\_\_\_

Finance Puzzle.

G L O N E B Y T L A N O S R E P  
N H E I N F F H A L O A R T I A  
I S T U D N T S A W F O R I T H  
C O M A K E R S T O U A D N E L  
N N T S U N I V E R R C S I O O  
A T Y R H L P L I K N T E T H A  
N E S A E D O F T I H I E I C N  
I O E U N N S E L N O V R A N F  
F E C D E D T T O G H E E L L P  
E O U N E D F R T C H P E C F I  
T R R S T S T U A A D A E A N T  
A S E T O P R B L P E R M P S S  
R O D M U C H O F I T T T I H E  
O T L I M E I S S T P N E T N T  
P R O F I T S L I A S E E A T E  
R N A I N G S U R L C R H L I N  
O G N F O R O P E N Y O R L I F  
C E P R G M S C M P A X H O T S

Finance Key

G L O N E B Y T L A N O S R E P  
N H E I N F F H A L O A R T I A  
I S T U D N T S A W F O R I T H  
C O M A K E R S T O U A D N E L  
N N T S U N I V E R R C S I O O  
A T Y R H L P L I K N T E T H A  
N E S A E D O F T I H I E I C N  
I O E U N N S E L N O V R A N F  
F E C D E D T T O G H E E L L P  
E O U N E D F R T C H P E C F I  
T R R S T S T U A A D A E A N T  
A S E T O P R B L P E R M P S S  
R O D M U C H O F I T T T I H E  
O T L I M E I S S T P N E T N T  
P R O F I T S L I A S E E A T E  
R N A I N G S U R L C R H L I N  
O G N F O R O P E N Y O R L I F  
C E P R G M S C M P A X H O T S



LESSON  
8

STORE LOCATION: COMMUNITY AND AREA ANALYSIS

Topical Outline	Suggestions for Instructor
<p>SELECTING A CITY</p>	
<p>Certain communities regarded as much more desirable than others as locations for new retailing enterprises.</p>	<p>Question to class: Why are certain communities regarded as more desirable than others?</p>
<p>BASIC FACTORS</p>	
<p>1. Size of the trading area.</p>	<p>Question to class: How is a town or city evaluated as a possible business location?</p> <p>trading area: area from which stores located within the city regularly draw patronage.</p>
<p>2. Population: size and characteristics. Number, trend, income groups, educational level, family size, extent of home ownership, etc.</p>	
<p>3. Total purchasing power: sources of income, employment conditions. City with diversified industries has greater stability.</p>	<p>Question to class: Why is it better to locate a store in a city with diversified businesses than in a city dependent on one industry?</p>
<p>4. Competitive situation. The number, size, quality of existing businesses handling related items.</p>	
<p>5. Progressiveness of community. New construction, adequacy of school system, civic activities, police and fire protection, public transportation, street improvement, public parking facilities.</p>	<p>Question to class: How do we tell whether a community is progressive or not?</p>
<p>SECONDARY FACTORS</p>	
<p>Factors of secondary significance relate to services and conveniences that facilitate operations</p>	
<p>1. Advertising media available. Their coverage, cost.</p>	
<p>2. Facilities for credit investigation and collection services.</p>	
<p>3. Labor market conditions. Can you obtain suitable employees at reasonable wages.</p>	
<p>4. Existence of consolidated delivery service.</p>	
<p>5. Proximity to wholesale sources of supply.</p>	
<p>6. Banks and other financing organizations.</p>	
<p>7. Insurance rates.</p>	
<p>8. Legal restrictions. Employment of minors, minimum wage laws, licensing requirements, tax obligations.</p>	

Name \_\_\_\_\_

Based on the size of trading area, population, purchasing power, and progressiveness of community, discuss whether our community is desirable for new retailing enterprises.

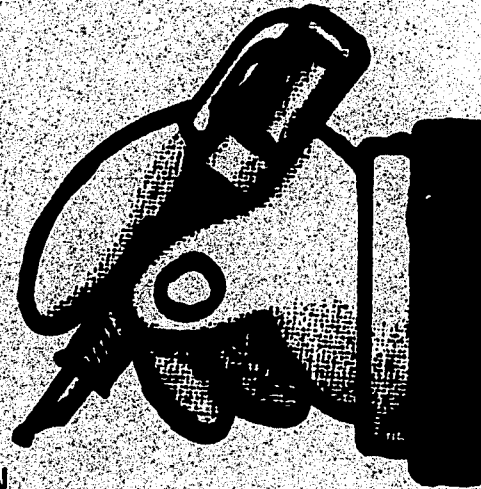
Name \_\_\_\_\_

List 4 types of retail businesses that are successfully operating in town that you feel the community could support more of the same. Give reasons.

List 4 types of retail businesses not currently in operation that you feel would do well in our town and give your reasons.

List 4 types of retail businesses that some other towns have, but you feel would not go over here. Give your reasons.





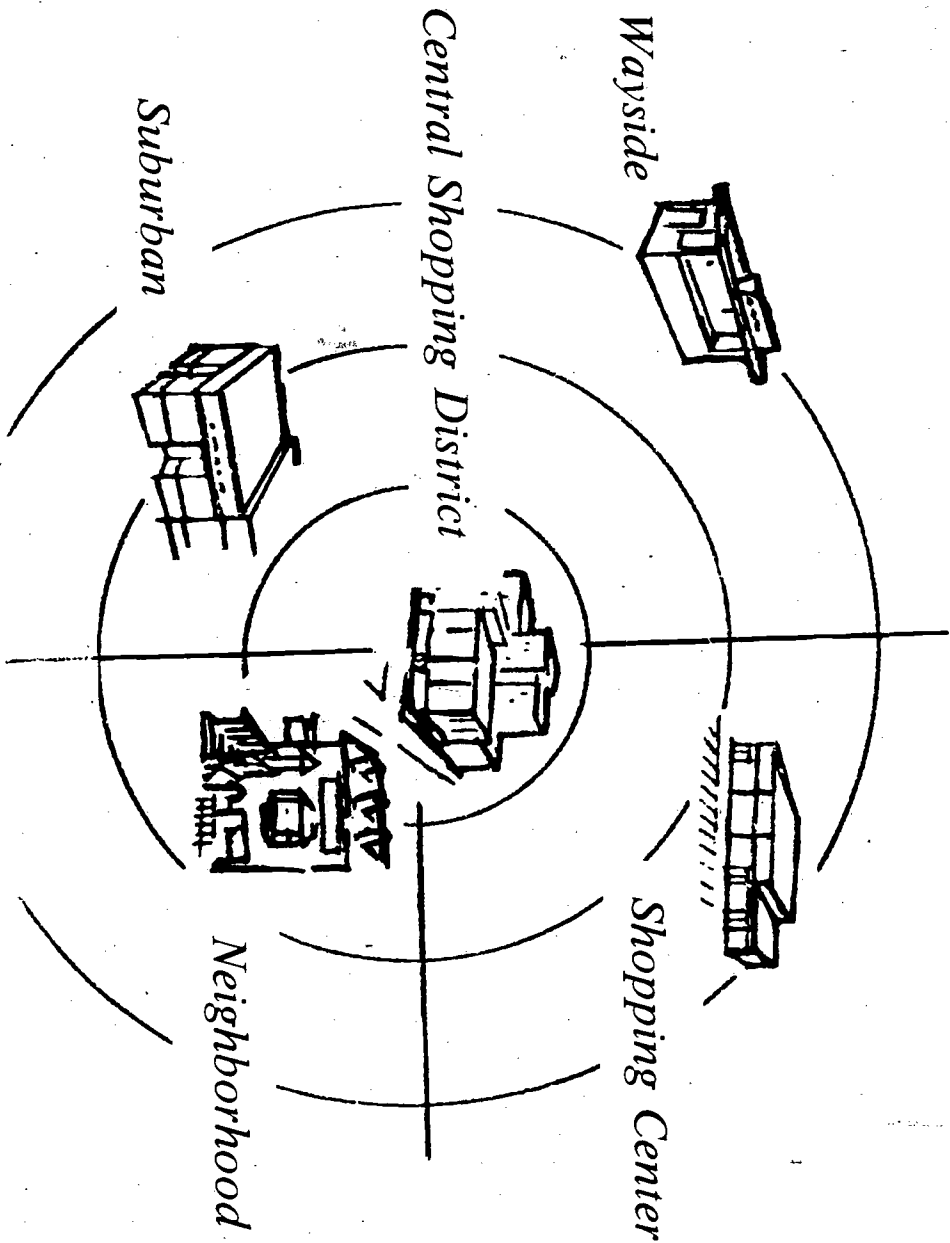
LESSON

9

STORE LOCATION: LOCATION WITHIN A COMMUNITY

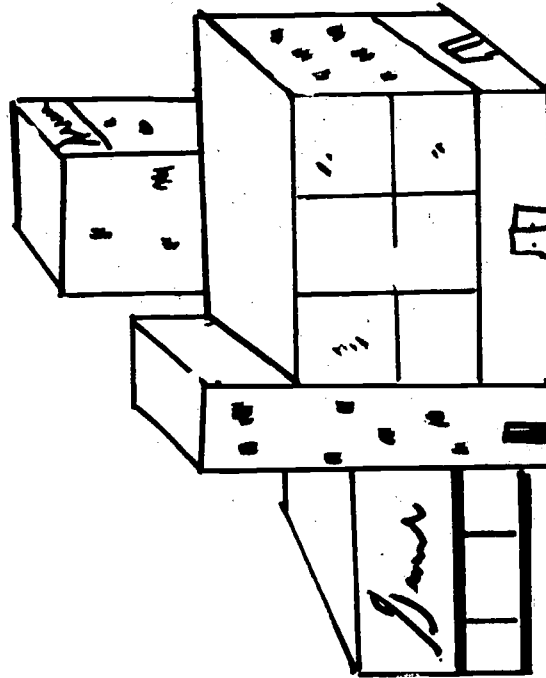
Topical Outline	Suggestions for Instructor
<p>CHOOSING THE SHOPPING DISTRICT</p>	
<p>In looking at possible locations for a store, retailer must decide which area in community is most suitable for his type of retailing.</p>	<p>Overhead 9-A</p>
<p>1. <u>Central shopping district</u> The downtown area or "main drag." Customers come from all over the city and the suburbs. Department stores and specialty stores usually located here. Adequate parking is chief problem. Rental costs are high.</p>	<p>Overhead 9-B Ex: Stores located in central shopping district: department stores, specialty stores, variety stores, drug stores</p>
<p>2. <u>Fringes of central shopping district</u> Within easy walking distance of central shopping district. Side streets. Store located here usually doesn't depend primarily on women shoppers. Rent lower than central district. More space for displaying items.</p>	<p>Overhead 9-C Ex: Stores located on fringes of central shopping district: home furnishing stores, automobile agencies, auto accessory stores, appliance stores, discount stores</p>
<p>3. <u>Secondary shopping districts</u> Small replicas of central shopping districts. Usually located on main traffic routes. More convenient to shop. Parking space is generally available.</p>	<p>Ex: Stores located in secondary shopping district: same as downtown shopping district, department stores may be absent and specialty stores may be smaller.</p>
<p>4. <u>Neighborhood shopping districts</u> Located in residential areas often at intersections. Offer near-by opportunity to make small purchases quickly or on impulse. Convenience is a major factor.</p>	<p>Overhead 9-D Ex: Stores located in neighborhood shopping districts: unit stores such as grocery stores, drug stores, shoe repair shops, hardware stores, bakeries</p>
<p>5. <u>Shopping centers/malls</u> Advantages of parking, sales promotion and traffic pull combined with other stores.</p>	<p>Overhead 9-E Ex: commonly built around branch of large department store with branches of specialty stores, units of chain stores, discount houses, and some independents</p>
<p>6. <u>Highway locations</u> Solo operations. Businesses separated from others. Based on customer convenience. Easy access from street convenient parking. Need great deal of advertising. Must build own trade.</p>	<p>Overhead 9-F Ex: nurseries, furniture stores, fast food restaurants</p>
<p>7. <u>String Streets</u> Stores located for miles along a main artery of traffic leading to the business center.</p>	<p>Ex: drive-ins, supermarkets, gas stations, garden centers, home furnishing stores</p>

# SELECTING A SITE



# CENTRAL SHOPPING DISTRICT

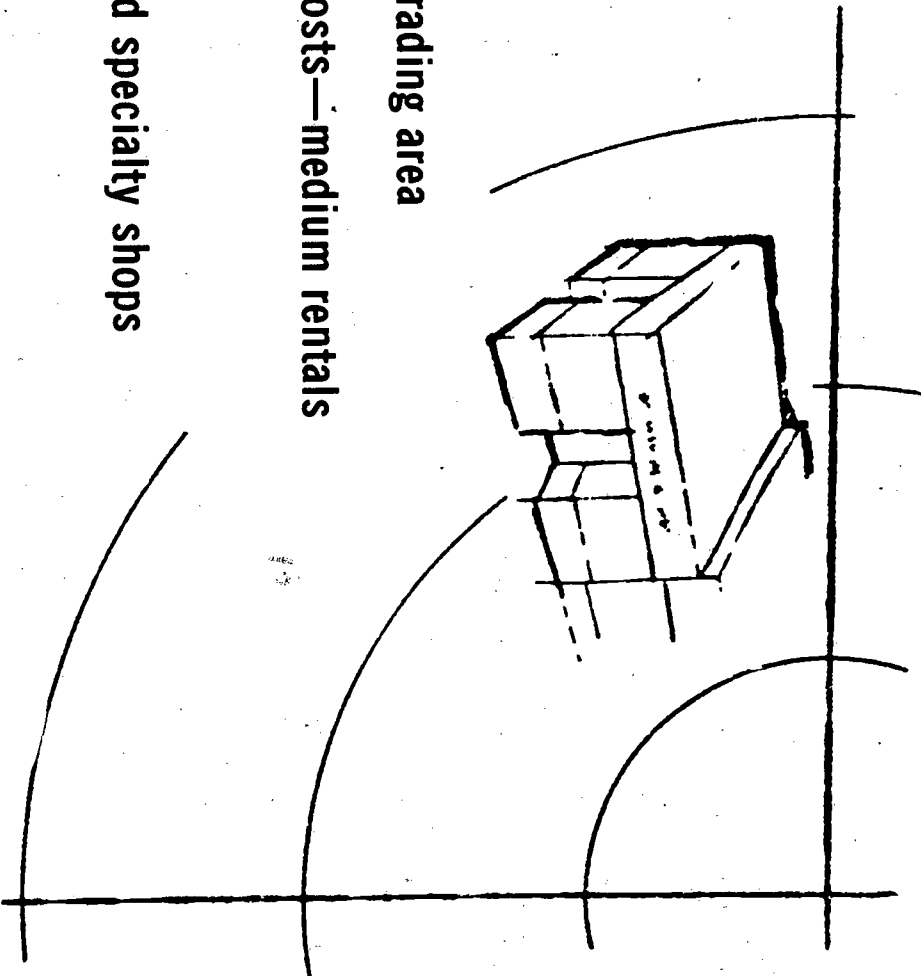
1. Draws customers from entire trading area
2. Usually has high operating costs—high rentals
3. Competition is keen
4. Larger stores prevail





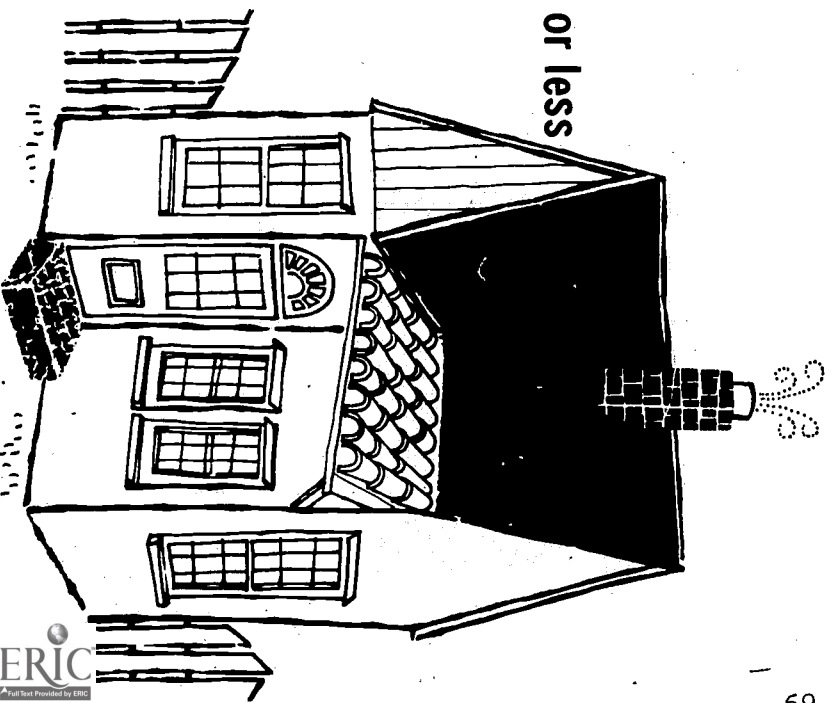
# SUBURBAN LOCATION

1. Draws customers from local trading area
2. Usually has lower operating costs—medium rentals
3. Competition is keen
4. Usually has smaller stores and specialty shops



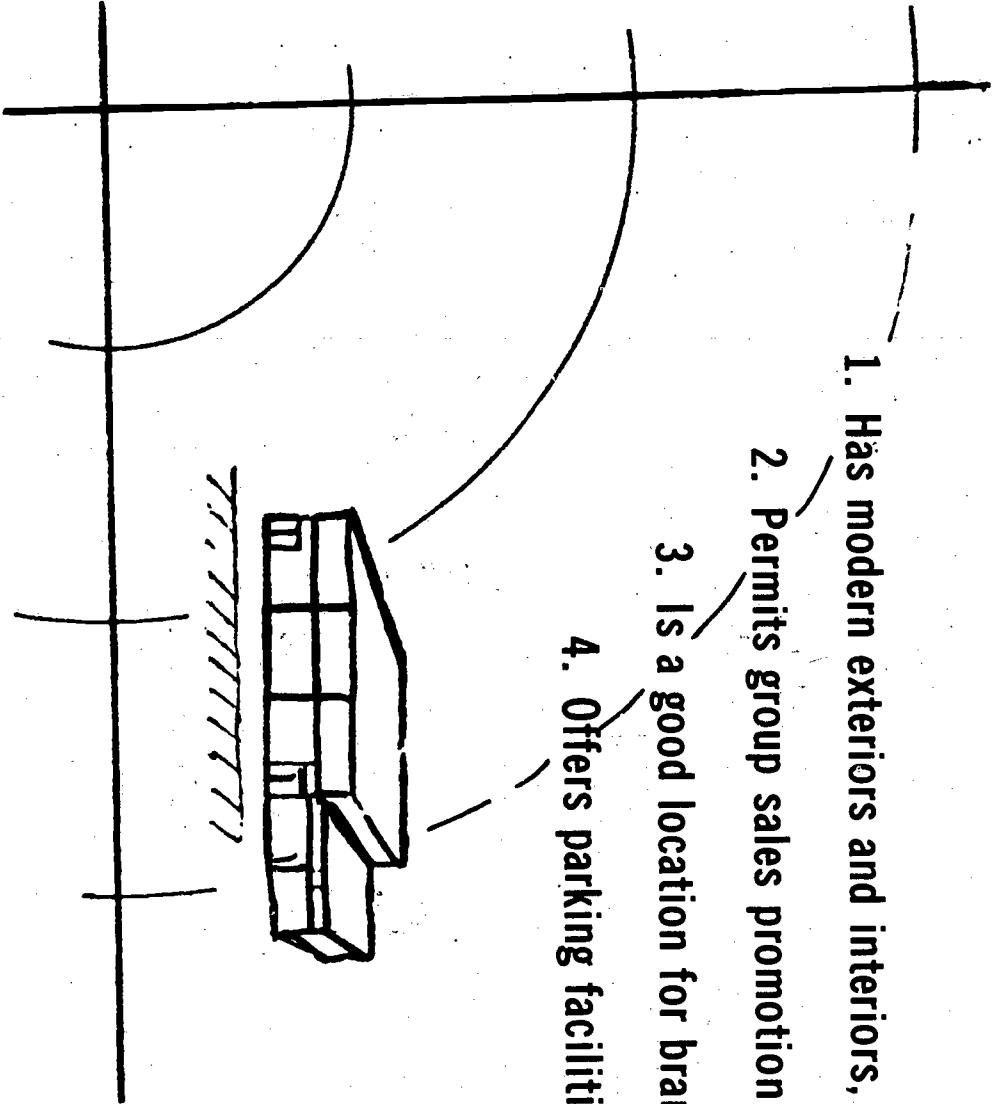
# NEIGHBORHOOD SHOPPING AREA

1. Draws customers from nearby residences
2. Usually has lower operating costs—low rentals
3. Features personalized service
4. Usually consists of small stores—annual sales \$50,000 or less



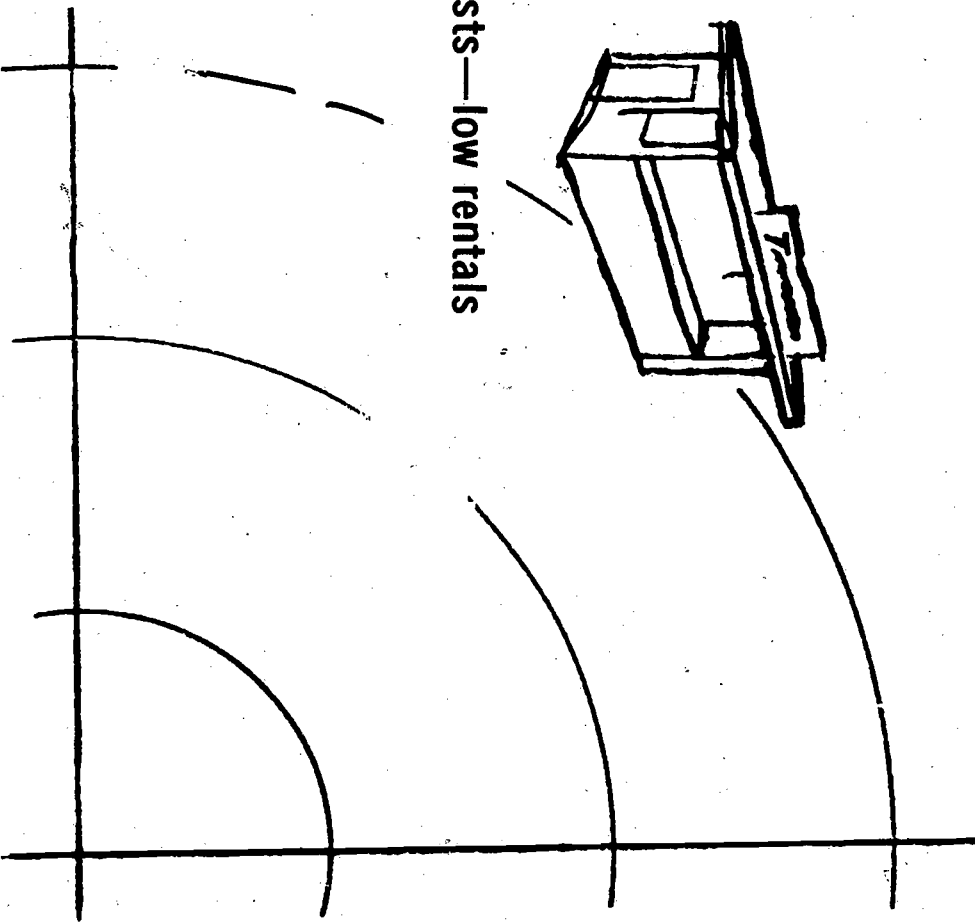
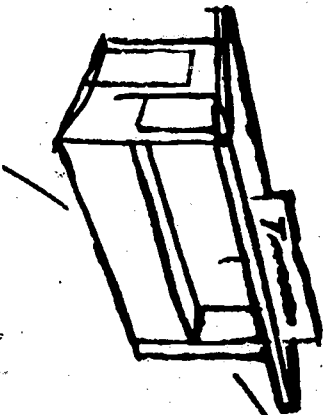
# SHOPPING CENTER

1. Has modern exteriors and interiors, medium to high rentals
2. Permits group sales promotion
3. Is a good location for branch stores
4. Offers parking facilities



# WAYSIDE LOCATION

1. Usually has lower operating costs—low rentals
2. Merchandise has low prices
3. Lots of parking space available





Name \_\_\_\_\_

You plan to open a shoe store in town. There are 3 buildings that would be suitable for your operation.

Site 1: In central shopping district. There already are 2 shoe stores within the block. Rent would be high.

Site 2: On fringes of central shopping district. Rent is lowest of all sites. 2 city blocks away from the central shopping district.

Site 3: In an older shopping center. Some of the original businesses in this center are moving into a mall complex. Rent is highest here.

WHICH LOCATION WOULD YOU SELECT? GIVE YOUR REASONS.

Name \_\_\_\_\_

Find the following terms in the puzzle below:

Shopping District  
Central  
Fringes  
Secondary  
Neighborhood

Shopping center  
Mall  
Highway Location  
String Street

M H A S H O P D I X N C Y T I M  
E I S H M U T S A M N E A D O N  
T G R O A I N O N M Y N P A R A  
S H O P P I N G D I S T R I C T  
D W E P I O E F T E N R P A U E  
S A E I F R I N G E S A A S E E  
D Y W N O N G D E R F L T E F R  
A L T G E S H P E C U R A C M T  
S O E C Y K B I S H P E C O K S  
A C R E D S O H O R E S K N U G  
E A B N B E R L E R K L R D I N  
S T T T E N H T O T L H D A E I  
N I N E I A O G A A R Y S R I R  
Z O B R I L O L M R I C H Y A T  
R N D C M E D T O M B E N T O S

Key to Puzzle

M	H	A	S	H	O	P	D	I	X	N	C	Y	T	I	M
E	I	S	H	M	U	T	S	A	M	N	E	A	D	O	N
T	G	R	O	A	I	N	O	N	M	Y	N	P	A	R	A
S	H	O	P	P	I	N	G	D	I	S	T	R	I	C	T
D	W	E	P	I	O	E	F	T	E	N	R	P	A	U	E
S	A	E	I	F	R	I	N	G	E	S	A	A	S	E	E
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LESSON

10

STORE LOCATION: CHOOSING THE STREET

Topical Outline	Suggestions for Instructor
<p><b>SITE EVALUATION</b></p>	
<p>Site evaluation is important especially for smaller stores of parasitic character and also for larger stores that count on attracting patrons from existing stream of shopping traffic. Atmosphere of success brings success: "for rent" signs or darkened windows lessen the chance of success for nearby stores.</p>	<p><u>Question to class:</u> What is meant by a store that has parasitic character?</p> <p>List the local stores that are of parasitic character.</p>
<p><b>STREET</b></p>	
<p>Street should be in good repair, clean, and easily reached by customers. Good sidewalks.</p>	
<p><b>ADJOINING BUILDINGS</b></p>	
<p>Buildings that adjoin site should be in good condition. Store is judged by company it keeps.</p>	
<p><b>SIDE OF THE STREET</b></p>	
<p>Sometimes customers shop 1 side of the street because of habit. Some shoppers refuse to walk on sunny side of the street. Rentals on shady side are from 1 to 20% higher. Direction of traffic is another reason why 1 side of the street is better than another.</p>	
<p><b>100% LOCATION</b></p>	
<p>For every store within given shopping district, there is location that is best possible site for that store. Location that checks highest with regard to kind of traffic desired. Not all kinds of stores would find same location to be best.</p>	<p>Ex: A given location may be 100% for a cigar store, but 40% to 50% for a women's apparel store.</p> <p>Ex: A prospective site for a price appeal establishment may rate low as prospective site for a quality appeal establishment.</p>
<p><b>TRAFFIC</b></p>	
<p>Important factor is to know number of people who pass by location. Even more important is to determine why people are passing site.</p>	<p><u>Question to class:</u> Do you feel that the best location for a store is the one with the greatest amount of passing traffic? Why/why not?</p> <p>Ex: Are people passing site to shop; on way to work; in a hurry, etc?</p>

Topical Outline	Suggestions for Instructor
<p>TYPES OF TRAFFIC</p>	
<p>1. <u>Lane traffic</u>            Large crowds passing site on way to bus, train, theater, post office, bank. People always in a hurry and would not be customers for stores carrying shopping goods. Best for pick-up articles (novelties, gifts)</p> <p>2. <u>Structural traffic</u>            People passing site going to a business or on their way to work. Best for stores selling cigarettes, papers, magazines, candy.</p> <p>3. <u>Shopping traffic</u>            People passing in shopping mood. Good sites for products that require great deal of thought or large outlay of money.</p>	
<p>PROXIMITY TO SIMILAR STORES</p>	
<p>Merchants often find that stores selling similar merchandise can operate close to each other. If shopping area is small, none may make any money.</p>	<p>Ask class for examples of stores that sell same kind of merchandise that are located near each other.</p>
<p>CORNER LOCATION</p>	
<p>30 to 70% more valuable because they offer more window-display space, double traffic, better light, and usually 2 entrances.</p>	
<p>TRANSPORTATION AND PARKING FACILITIES</p>	
<p>Large capacity parking facilities is most favorable site characteristic. Highly desirable to be near public transportation.</p>	
<p>HISTORY OF SITE</p>	
<p>Site with favorable past history is more desirable. More important than knowledge of number of failures is information pertaining to reasons for past mortalities.</p>	

Topical Outline	Suggestions for Instructor
<p data-bbox="126 231 385 262">NEGATIVE FACTORS</p> <ol data-bbox="126 294 739 682" style="list-style-type: none"><li data-bbox="126 294 646 325">1. Direction of prevailing winds</li><li data-bbox="126 357 739 451">2. Wind pockets result in continual deposits of dirt and trash on sidewalks and at store entrance</li><li data-bbox="126 483 261 514">3. Smoke</li><li data-bbox="126 546 431 577">4. Unpleasant odors</li><li data-bbox="126 609 600 682">5. Noise from nearby shops or factories</li></ol>	

Name \_\_\_\_\_

Make a check list that you could use in evaluating a prospective site for a retail business.

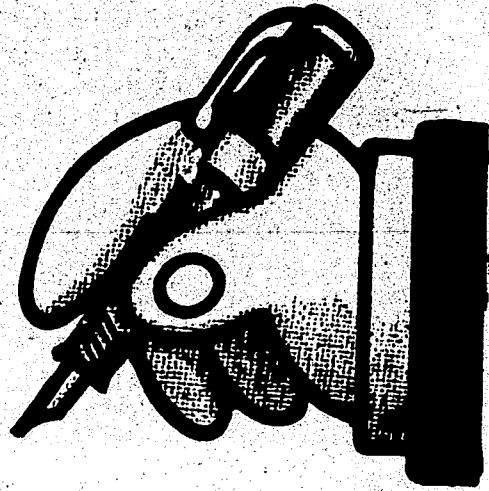


Name \_\_\_\_\_

You have hired some high school students to take a traffic count to determine the suitability of the particular spot where you plan to open a magazine and book store.

An average of 100 cars pass the site every hour. An average of 75 people walk by the location every hour.

Explain what further information you must try to obtain about the traffic count before your final decision on the site.



LESSON

11

THE BUILDING: TERMS OF OCCUPANCY

Topical Outline	Suggestions for Instructor
<p>COMMON ALTERNATIVES</p> <p>3 forms of occupancy arrangements are encountered among retail stores.</p> <ol style="list-style-type: none"> <li>1. Many independent retailers own their own store buildings.</li> <li>2. Renting or leasing store buildings on basis of paying a specific dollar.</li> <li>3. The third procedure is to rent or lease on basis of rent paid as percentage of sales or gross profits.</li> </ol> <p>ADVANTAGES OF OWNERSHIP OF PREMISES</p> <ol style="list-style-type: none"> <li>1. Assured of continuing occupancy. Cannot be evicted.</li> <li>2. Building can be maintained, improved, modernized as desired.</li> <li>3. Benefit of any appreciation in value of property.</li> </ol> <p>DISADVANTAGES OF OWNERSHIP ON PREMISES</p> <ol style="list-style-type: none"> <li>1. Owning real estate has risks associated with it.</li> <li>2. Ownership increases total capital requirements. Might hinder meeting current obligations arising from routine merchandise activities.</li> <li>3. Flexibility is lost with respect to ability to change locations when warranted.</li> <li>4. Many merchants are often swayed by emotional, noneconomic considerations when considering ownership of building.</li> </ol> <p>RENTING OR LEASING</p> <p>Most merchants prefer to rent or lease their premises. Occupancy of building without lease that insures continuity for known period of time is hazardous.</p> <p>TYPES OF LEASES</p> <ol style="list-style-type: none"> <li>1. Requires payment of fixed amount of rent per month or per year.</li> <li>2. Payment of a percentage of tenant's sales as rent.</li> </ol>	<p>Ex: Small stores located in malls or shopping center. (tie shop)</p>

Topical Outline	Suggestions for Instructor
<p>VARIATIONS IN LEASES</p> <ol style="list-style-type: none"> <li>1. <u>Sales-space productivity</u> Stores that sell items that produce high volume of sales per square foot are able to negotiate more favorable terms.</li> <li>2. <u>Value of location</u> Have to pay more to occupy a premium location.</li> <li>3. <u>Competitive circumstances</u> Cities oversupplied with certain types of stores. Result is aggressive or near-ruinous price competition.</li> <li>4. <u>Service provided and obligations</u> In many leases, provisions require landlord to modernize building to suit tenant, provide public utility services (gas, water, light, heat, etc.), furnish parking space (planned shopping center), assume responsibility for group advertising and promotion (planned shopping center), furnish store fixtures and equipment.</li> <li>5. <u>Contract negotiations</u> Contract negotiations for solo store and shopping center location differ. <u>Solo store</u>: entire burden of investment must be recovered from single tenant. <u>Shopping center</u>: Store which will contribute most to drawing power of center can negotiate more favorable lease terms.</li> </ol>	<p>Question to class: Why do rental rates vary for stores in the same kind of business?</p>
<p>DURATION OF LEASES</p> <p>Short term leases, under 5 years, are usual. Better locations usually not available for occupancy under contracts involving less than 10 years. When landlord constructs or remodels building to suit tenant, usually requires 15 to 25 year leases. Usually large department stores have very long term leases, sometimes 99 years, because of highly specialized nature of their facilities.</p>	

Name \_\_\_\_\_

Why would some stores buy building sites, build stores on them, sell the store to someone outside the company and then lease it from the new owners for a long period of time?

Name \_\_\_\_\_

You plan to establish a retail store. Would you buy a store building or rent one?  
Give reasons for your decision.





LESSON  
1.2

THE BUILDING: THE STORE FRONT

Topical Outline	Suggestions for Instructor
<p>THE STORE EXTERIOR</p>	
<p>Store front is the face that everyone sees. Plays powerful part in determining what customers think of store.</p>	<p><u>Question to class:</u> Why is the store exterior so important?</p>
<p>GUIDELINES FOR STORE EXTERIOR</p>	
<ol style="list-style-type: none"> <li>1. Entrance easily identified and invite entry. Placed to facilitate traffic flow.</li> <li>2. Create contrast between light, dark colors, and textures of materials.</li> <li>3. Colors should be used boldly but not crudely to attract attention.</li> <li>4. Blend in with neighboring stores but maintain own distinctive appearance.</li> <li>5. Use as much open window display as possible.</li> <li>6. Keep simple. No ornamentation to distract from displays.</li> <li>7. Keep suitable to kind of merchandise to be sold.</li> <li>8. Keep clean and well lighted.</li> </ol>	<p>Don't be something on the outside that you aren't on the inside.</p>
<p>WINDOWS</p>	
<p>Windows should be suited to kind of merchandise displayed.</p>	<p>Ex: <u>Department stores:</u> deep windows to exhibit furniture, high narrow windows to display smaller merchandise.</p>
<p><u>Purposes of display windows</u></p>	<p><u>Drug stores/Variety stores:</u> shallow windows</p> <p><u>Jewelry/Optical Goods:</u> narrow, shallow windows</p>
<ol style="list-style-type: none"> <li>1. Identification of character of store and merchandise.</li> <li>2. Inducement to approach premises.</li> <li>3. Display of merchandise permitting customers to form value judgments.</li> <li>4. Invitation to enter through creating desire to buy.</li> </ol>	
<p><u>Window Backgrounds</u></p>	
<ol style="list-style-type: none"> <li>1. Closed background: glass front rooms</li> <li>2. Semiclosed background: partition 1/4 to 1/2 way up back.</li> <li>3. Open background: see-through window, shows entire store interior</li> </ol>	<p>Ex: Majority of department stores use this type.</p> <p>Ex: Often found in hardware stores, drug stores.</p> <p>Ex: Often found in grocery stores, discount houses, florists' shops, some clothing stores.</p>



Topical Outline	Suggestions for Instructor
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ENTRANCES

1. Wide, numerous enough to enable customers to enter without effort.
2. Eliminates steps going up or down.
3. Infrared lamps prevent drafts, warm the customers, melt snow, dry puddles, light entrances.
4. Revolving/swinging doors reduce draft, conserve heat.
5. Angle front in few feet from sidewalk so window-shoppers can look without feeling crowded.
6. Doorless entrance doesn't obstruct shopper and avoids drafty interior. Blast of warmed air shot downward from slit above doorway to grill underfoot.
7. Electric beam enables package-laden customers to enter and leave without effort.
8. Glass doors permit vision of store's interior.
9. Entrance should provide protection against shoplifting, internal theft.

SIGNS

Used for advertising value or for mere identification value. Should be integral part of front. Contribute to image of store. May be controlled by local or shopping center regulations.

MARQUEES/RECESSED FRONTS

Provide protection to store windows and to pedestrians. Marquees conceal upper part of store.

Name \_\_\_\_\_

Design a store front for a new business that will be opening soon at a mall or a shopping center. You can make it either a shoe store, candy store, card and gift shop, or camera shop. The front of the store is only 30 feet wide.

Name \_\_\_\_\_

You are planning on opening a stereo tape center in the downtown shopping district of your town. You will be selling only tapes and tape players. There are 2 sites available for occupancy.

Site A was previously housing a womens' specialty shop. It has 4 large display windows with closed backgrounds. It is a newer building with simple design.

Site B housed a jewlery store. It has 3 small display windows with open background. This is an older building with quite a bit of ornamentation on it.

Zoning regulations for this section of town prohibit the use of large signs on the outside of either building.

Base your selection strictly on the front of the buildings, which would you choose and why?



LESSON  
13

THE BUILDING: LAYOUT

Topical Outline	Suggestions for Instructor
<p>LAYOUT</p> <p>Store layout is arrangement of selling, nonselling departments, aisles, fixtures, displays, and equipment in relationship to each other and to fixed elements of building structure.</p>	
<p>DEPARTMENTIZING</p> <p>Process of classifying merchandise into somewhat homogeneous groups. Has merchandising, promotion and accounting implications.</p>	
<p><u>How to Departmentize</u></p>	
<p>1. <u>Generic kinds of goods</u> 1 kind of goods and related items.</p>	<p>Ex: shoe department with shoepolish or laces.</p>
<p>2. <u>Customer motive in buying</u> Reason goods are purchased.</p>	<p>Ex: gift department found in department stores.</p>
<p>3. <u>Types of storage or display equipment needed</u></p>	<p>Ex: Goods requiring refrigeration are grouped together in order to avoid duplication of such display equipment.</p>
<p>4. <u>Appeal to specific market segments</u> Generic groupings broken down by sex, age, income, social interests, etc.</p>	<p>Ex: age groupings segregate children's from women's and men's apparel. Appeal to different income groups illustrated by emphasis upon basement departments in large stores.</p>
<p>5. <u>Customary trade practices</u> Arrangements usually expected by public.</p>	<p>Ex: Grocery store separate departments for dry groceries, meat and fish, dairy products, fresh produce, baked goods, etc.</p>
<p>LOCATING SELLING DEPARTMENTS</p>	
<p>1. <u>Rent-paying capacity</u> Departments with highest rent-paying capacity ordinarily placed in valuable areas.</p>	
<p>2. <u>Impulse goods</u> Benefit most from maximum traffic, greater exposure. Usually given very valuable locations.</p>	<p><u>Impulse goods</u>: articles that are frequently bought on basis of unplanned, spur-of-the-moment decisions. Appeal to personal taste rather than human needs.</p>

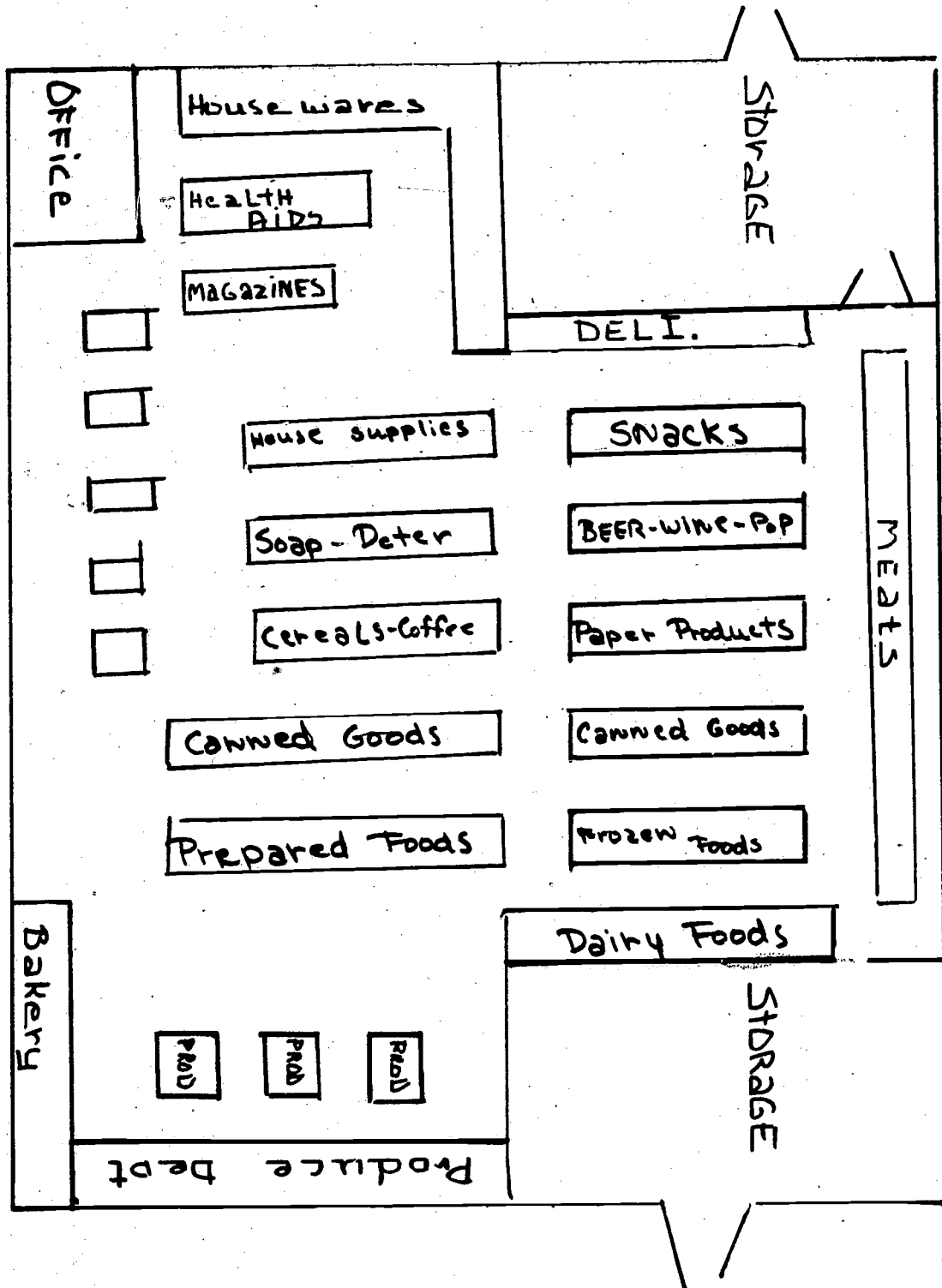


Topical Outline	Suggestions for Instructor
<p>3. <u>Shopping goods</u> May be located in more remote areas. Draw customers past impulse items as they circulate through store.</p>	<p><u>Shopping goods</u>: planned purchases. Good customers will visit location in store where item is placed, provided purchase is one of considerable importance.</p>
<p>4. <u>Convenience goods</u> Sold in very accessible locations. Customers wish to complete transaction with minimum expenditure of time and effort.</p>	<p><u>Convenience goods</u>: items in habitual use, purchased frequently, of low unit value.</p>
<p>5. <u>Related departments</u> Locate departments to facilitate combination purchases.</p>	<p>Ex: Popular-priced apparel departments near women's accessory departments.</p>
<p>6. <u>Seasonal goods</u> Permit expansion, contraction of areas without disruption of general floor plan.</p>	<p>Ex: Toy department at Christmas time.</p>
<p>7. <u>Size of department</u> Large floor-space requirement may make it necessary that certain departments locate to side, rear, upper floor locations.</p>	<p>Ex: Toy department at Christmas time.</p>
<p>8. <u>Physical characteristics of merchandise</u></p>	<p>Ex: Curtains/draperies best displayed in wall sections. Small merchandise more suitable to central floor location.</p>
<p>9. <u>Shopping considerations</u> Not ordinarily located in valuable merchandising areas.</p>	<p>Ex: Goods that require trying on, fitting, demonstrations, or careful examination.</p>
<p>10. <u>Underdeveloped departments</u> Give more valuable locations just justified to give more favorable opportunity to develop potential volume.</p>	<p><u>Underdeveloped departments</u>: departments that are new or haven't obtained the sales volume expected.</p>
<p>CUSTOMER TRAFFIC</p>	
<p>Customers tend to turn to right when entering a store. Will tend to follow large center aisle. People follow widest space offered. Men do not like to pass through women's department.</p>	
<p>PLACEMENT OF FIXTURES WITHIN DEPARTMENT</p>	
<p>1. Wide aisles. Wide enough for 3 people to walk abreast.</p>	

Topical Outline	Suggestions for Instructors
<ol style="list-style-type: none"> <li>2. Aisles run from entrances to elevators, escalators, stairways.</li> <li>3. Counter, cases, shelving low for view of entire selling floor.</li> <li>4. Design fixtures to display goods to best advantage.</li> <li>5. Arrange so customers can examine goods without being jostled.</li> <li>6. Arranged so customers can get close to goods.</li> <li>7. If not self-service, should provide frequent change-making stations.</li> </ol>	
<p><b>AISLE TABLES</b></p> <p>Help dispose of mark down goods. Helps introduce new items.</p> <p><u>Disadvantages</u></p> <ol style="list-style-type: none"> <li>1. Adds to congestion</li> <li>2. Attracts bargain hunters</li> <li>3. Danger of theft and damage to merchandise.</li> </ol>	<p>Definition:  <u>Aisle tables</u>: tables put in middle of aisles</p>
<p><b>MERCHANDISE ISLANDS</b></p> <p>Similar to aisle table but has open space in middle where salesperson is stationed to serve customers.</p>	
<p><b>ENDS</b></p> <p>Used mainly in supermarkets. Displays of specials. Attracts attention because out of place from usual location.</p>	<p>Definition:  <u>Ends</u>: equipment placed at end of a merchandise aisle to display merchandise regardless of normal location in store.</p>
<p><b>TYPES OF LAYOUTS</b></p> <p>Most layouts classified into 2 categories:</p> <ol style="list-style-type: none"> <li>1. <u>Gridiron pattern</u>        Rectangular arrangement of fixtures, aisles, in repetitive pattern. Secondary aisles run at right angles to main aisles. Each aisle usually same width throughout its length.</li> </ol>	<p>Overhead 13-A        Ex: Typical of variety stores, discount department stores, or supermarkets.</p>

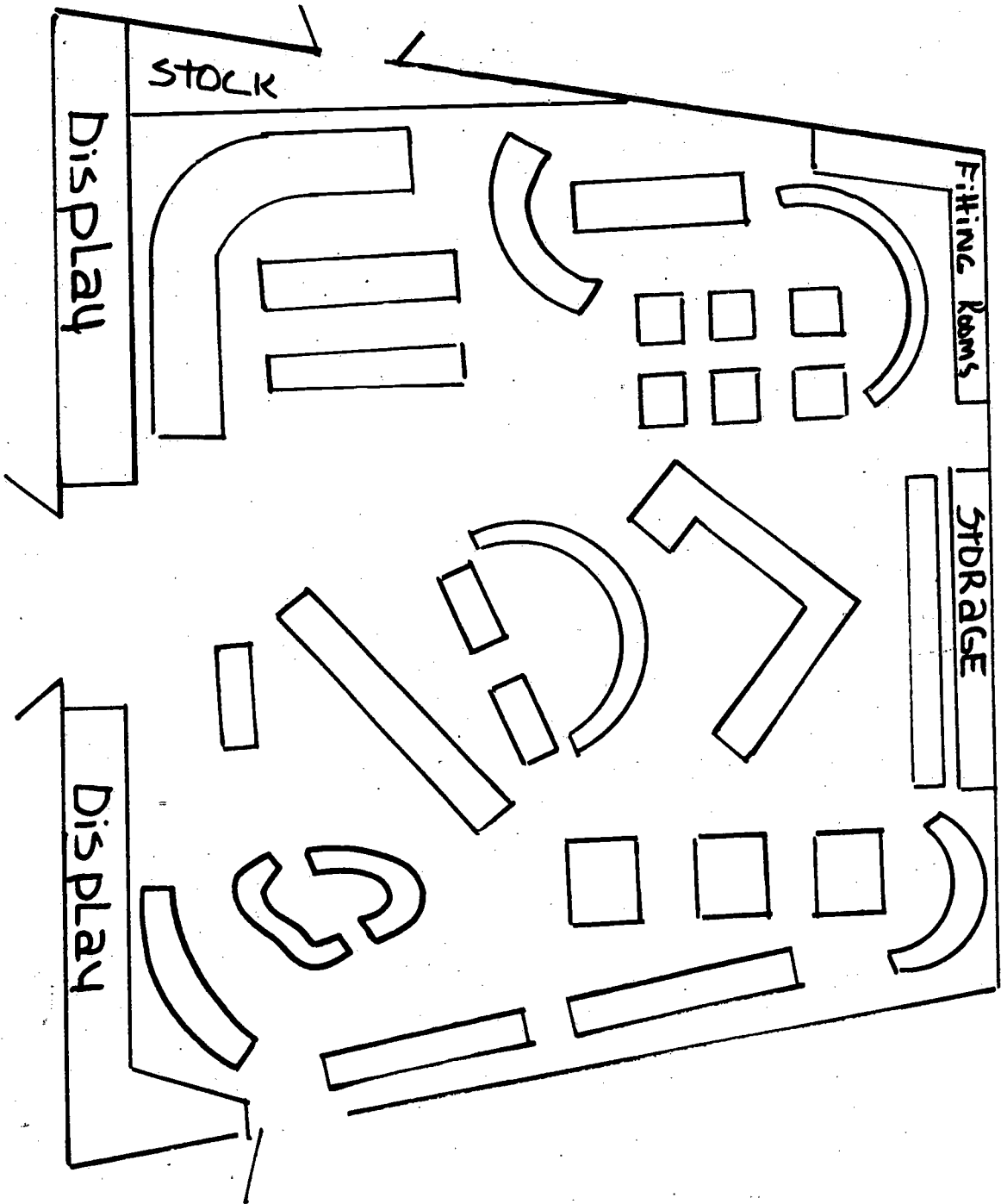
Topical Outline	Suggestions for Instructor
<p><u>Advantages</u></p> <ol style="list-style-type: none"> <li>1. Easily adapted to most buildings.</li> <li>2. Total floor space requirements are minimized.</li> <li>3. Great amount of merchandise can be displayed.</li> <li>4. Easier to use standardized type of display fixtures.</li> <li>5. Easy for customer to become acquainted with features of layout.</li> </ol> <p>2. <u>Free flow arrangement</u>          Consists of series of circular, octagonal, oval, or U-shaped fixture patterns resulting in curving aisles characterized by deliberate absence of uniformity.</p>	<p>Overhead 13-B          Ex: Specialized shopping goods establishment.</p>
<p><u>Advantages</u></p> <ol style="list-style-type: none"> <li>1. Flexibility, Counter frontage of department can be contracted or expanded by inserting or removing fixtures.</li> <li>2. Increases customer exposure to merchandise. Departments stand out clearly with distinctive size or shape.</li> </ol>	





GRIDIRON

FREE-FLOW



Name \_\_\_\_\_

### CROSSWORD PUZZLE CLUES

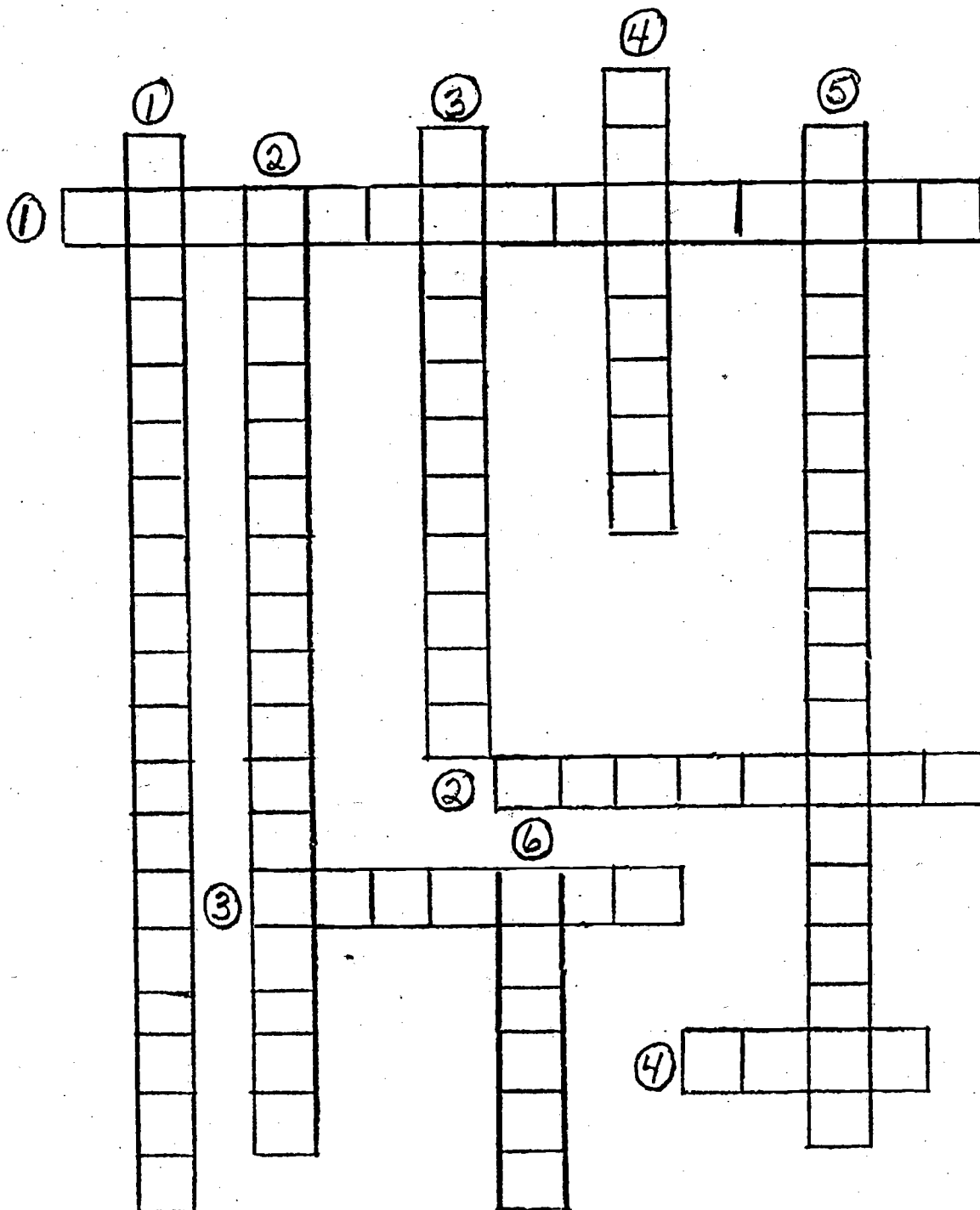
#### ACROSS

1. Rectangular layout of store fixtures, aisles in repetitive pattern. (2 words)
2. Planned purchases. \_\_\_\_\_ Goods
3. Goods bought on spur-of-the-moment decisions. \_\_\_\_\_ Goods
4. Attracts attention to merchandise because it is not in usual location. Used mainly in supermarkets.

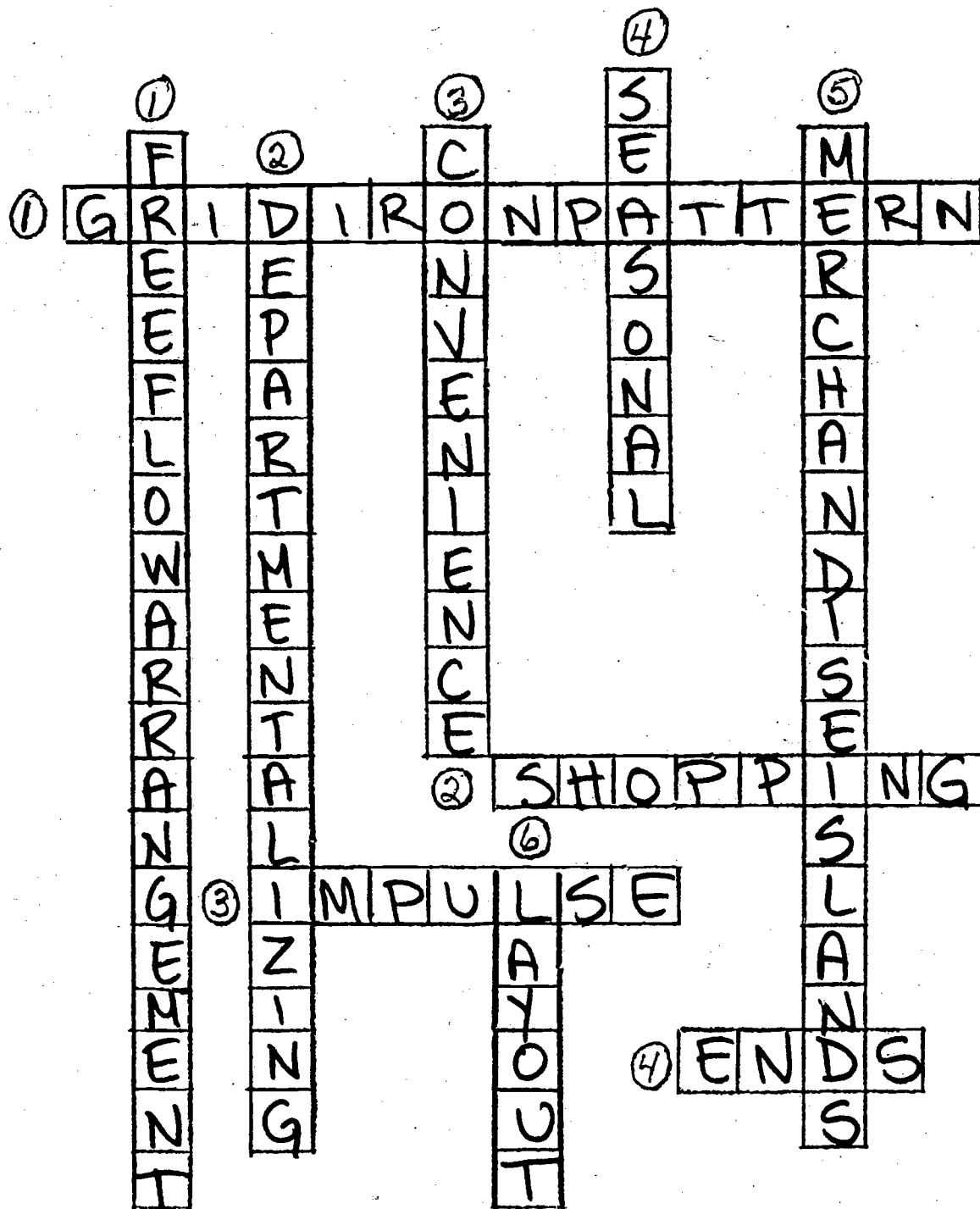
#### DOWN

1. Store layout with deliberate absence of uniformity. (3 words)
2. Classifying merchandise into homogeneous groups.
3. Goods in habitual use, purchased frequently. \_\_\_\_\_ Goods
4. Merchandise purchased only certain times of the year. \_\_\_\_\_ Goods
5. Similar to aisle tables, but has open space in middle where salesperson is stationed. (2 words)
6. Arrangement of selling and nonselling equipment in a store.

Name \_\_\_\_\_



ANSWER TO CROSSWORD PUZZLE



Name \_\_\_\_\_

Sketch a layout for a grocery store using the gridiron pattern. Label the different fixtures and departments.

Name \_\_\_\_\_

Draw a layout of the selling floor for a mens' or womens' specialty shop. Use the free-flow arrangement. Label the departments.



LESSON

14

THE BUILDING: EQUIPMENT, FIXTURES, AND FURNISHINGS



Topical Outline	Suggestions for Instructor
<p><b>EQUIPMENT, FIXTURES, AND FURNISHINGS</b></p> <p>Proper equipment, fixtures, and furnishings can reduce labor costs, speed movement of merchandise, and add to attractiveness of store.</p>	<p>Overhead 14-A</p> <p><u>Question to class:</u> Are expensive fixtures and equipment as important to the customers as low prices?</p>
<p><b>EQUIPMENT</b></p> <p>Equipment includes everything, except building and merchandise, necessary to perform selling and nonselling functions.</p> <ol style="list-style-type: none"> <li>1. Selling equipment</li> <li>2. Building equipment</li> <li>3. Non-selling equipment</li> </ol>	<p>Ex: tables, shelves, counters, cash registers</p> <p>Ex: plumbing, floor covering, heating, lighting</p> <p>Ex: time clocks, delivery trucks, bookkeeping machines, forklift</p>
<p><b>SELLING FIXTURES</b></p> <p>Fixtures are being designed specifically for each particular business. Glass showcases are being replaced with simple open fixtures which make it easy for customer to approach, handle, select merchandise. Permits easy restocking.</p>	
<p><b>SELF-SELECTION FIXTURES</b></p> <p>Specifically designed for mass exposure and impact. Serve in lieu of salespeople. Presents merchandise with appeal, clarity, force.</p>	<p><u>Question to class:</u> How are fixtures in a self-service store any different than in a store that has many salespeople?</p>
<p><b>FLOOR MATERIALS</b></p> <p>Selected with regard to customer and employee comfort, visual appeal, influence upon traffic flow, insure easy cleaning, long wearing, etc. Should be consistent with type of store and merchandise being sold.</p>	

## AIR CONDITIONING

Selected with view to effect upon customer comfort, employee productivity, and deterioration of perishable merchandise. Success of stores that are air-conditioned is forcing majority to do likewise. Combination heating and cooling systems are on the market.

## LIGHTING

A well-lighted interior is good advertisement. Proper lighting of merchandise has increased sales 20%. To get most out of lighting, it is necessary to have light walls and ceilings. Good colors are cream, white, greenish gray, with ceilings lighter than walls. Effectiveness of lighting system reduced as much as 40% by dirty or dingy ceilings and walls.

## CHANGES IN RETAILING EQUIPMENT

Electronic-mechanical systems in conjunction with cash registers speed up checkout procedures as well as to control their credit and collection activities.

## DETERMINING EQUIPMENT NEEDS

Consult trade papers, directories, businesses using similar equipment. Contact manufacturers for demonstrations. Make sure the equipment that you purchase will suit your needs.

## STANDARDIZATION OF EQUIPMENT

It is desirable that particular types of equipment be selected as standard for use in similar work.

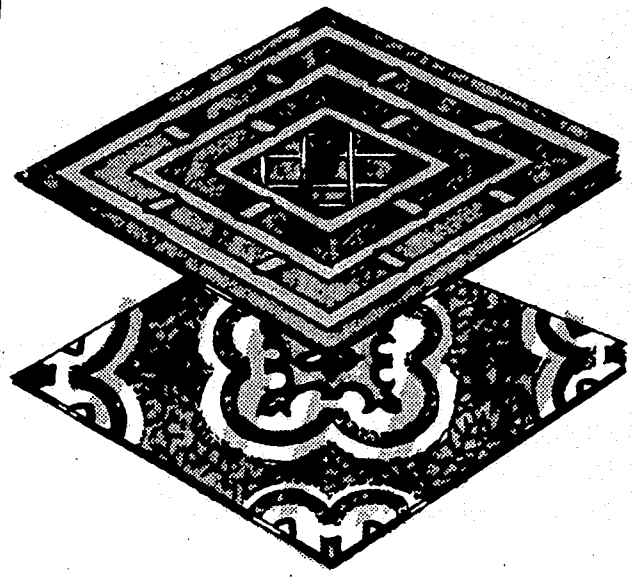
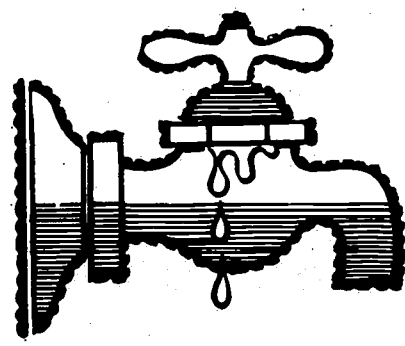
1. Gives a neat appearance
2. Easy to obtain service
3. Easy for employees to shift from one machine to another
4. Lower price if purchasing more than one item

Topical Outline	Suggestions for Instructor
<p>5. Better maintenance service is available</p> <p>6. Less variety in supplies is needed</p>	
<p><b>BUYING EQUIPMENT</b></p> <p>1. <u>Conditional sales contract</u> Purchaser does not receive title to equipment until it has been fully paid.</p> <p>2. <u>Chattel mortgage contract</u> Equipment becomes property of purchaser when delivered, but seller holds a mortgage claim against it until amount in contract is paid.</p>	<p><u>Question to class:</u> If you are just starting a retail business, would it be better to buy, lease, or purchase used equipment? Why?</p>
<p><b>LEASING EQUIPMENT</b></p> <p>Last few years, businesses have been turning to leasing equipment rather than purchasing it.</p> <p><u>Leasing:</u> making contract to use piece of equipment without buying item. Most lease contracts range from 3 to 10 years.</p> <p><u>Advantages of leasing equipment</u></p> <ol style="list-style-type: none"> <li>1. Conserves cash</li> <li>2. Eliminates necessity for borrowing money.</li> <li>3. Provides latest and most efficient types of equipment</li> <li>4. No maintenance expense</li> </ol> <p><u>Disadvantages of leasing equipment</u></p> <p>The principal disadvantage is the total cost of leasing over number of years is likely to be more than if equipment had been purchased.</p> <p><b>RENTING EQUIPMENT</b></p> <p>Business may need particular piece of equipment for only short period of time. It is possible to rent equipment for short period of time.</p>	



**SELLING  
EQUIPMENT:  
COUNTERS  
CASH REGISTER**

**BUILDING  
EQUIPMENT:  
PLUMBING  
FLOOR COVERING**



**NON-SELLING  
EQUIPMENT:  
FORKLIFT  
DELIVERY  
TRUCK**



**EQUIPMENT**

Name \_\_\_\_\_

Make a detailed list of equipment that would be needed to open a grocery store.

I would need the following selling equipment:

I would need the following building equipment:

I would need the following non-selling equipment:

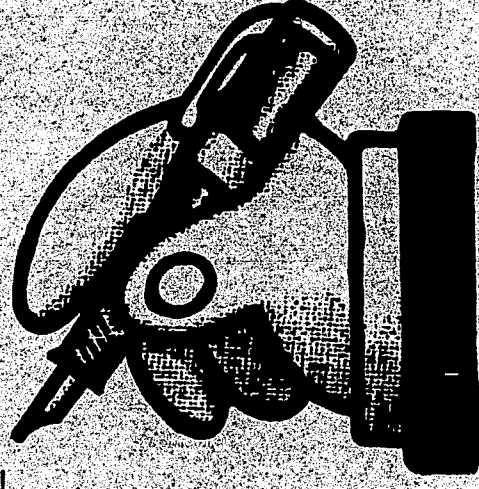
Name \_\_\_\_\_

You are expanding your business and will need 4 additional cash registers. The supplier tells you that he can give you some equipment from stores that are buying newer models.

He can provide you with 4 identical models for \$1,500 or 4 different registers for \$1,000.

Which would you buy? Explain your choices.





LESSON  
15

PERSONNEL POLICIES: COMPENSATION POLICIES

PERSONNEL POLICIES: COMPENSATION POLICIES

Several types of wage, salary plans used to compensate retailing personnel. Not unusual for 1 store to use all of the plans.

1. Straight salary plan

Pay definite amount of money per hour, week or month. Flat sum paid employee for time worked, no attempt made to measure person's productivity. Management almost always paid under this plan, but with possibility of year-end bonuses.

2. Straight commission plan

Preferred by salespeople who want to earn in accordance with individual ability. Amount earned limited only by amount salespeople can sell. Sometimes store establishes drawing accounts where salesperson paid from account at regular intervals. Payments charged against commissions later earned. Insures reasonable wage during slow selling period.

3. Salary and commission plan

Salesperson receives base salary plus additional amount depending upon sales. Usually figured as percentage of sales. In some stores, salespeople agree to pool all commissions then distribute amount in proportion to hours worked.

4. Quota plan

Variation on salary and commission plan. Boss sets definite amount salesperson must sell in given time period. Amount is called quota. If salesperson sells more, certain percent of sales above quota paid in addition to base pay.

Overhead 15-A

Ex: A cashier receives \$2 an hour and works 40-hour week will receive gross wage of \$80.

Question to class: Why might the straight salary plan cause bad feelings among employees doing the same type of work?

Overhead 15-B

Ex: If 6% of sales is commission rate, salesperson would receive \$6 for every \$100 in sales.

Ex: Salesperson with \$1,000 in sales, who receives 1% of sales would be paid \$10 over base salary.



Topical Outline	Suggestions for Instructor
<p>5. <u>Supplementary incentive plans</u>  Special compensation plans to supplement wage payment plans.  <u>PM (premium money)</u>: rewarded for selling certain item. Danger of salesperson using high-pressure selling to get PM.  <u>Profit-sharing/bonus plans</u>: becoming increasingly common with management.</p>	<p>Ex: 50¢ PM placed on a style of shoes that are not selling.</p> <p>Ex: Store manager receives share of stores's profits in addition to regular salary.</p>

ESSENTIALS OF A GOOD PLAN

1. Adequacy  
Adequate to enable employee to maintain decent standard of living.
2. Simplicity  
Easily understood by employees, minimize clerical procedures.
3. Fairness  
Employee should be protected against circumstances beyond his control.
4. Proportional to productiveness  
Should bear definite relationship to achievement
5. Reasonably uniform earnings  
Living expenses of employees usually stable from month to month.
6. Prompt and regular payment  
Set up definite schedule
7. Customer protection  
Should discourage actions detrimental to best interests of customer.

## STRAIGHT SALARY

### ADVANTAGES

EASIEST PLAN FOR EMPLOYEES TO UNDERSTAND.

PROVIDES DEFINITE INCOME, ENABLES EMPLOYEE TO BUDGET PERSONAL NEEDS.

EMPLOYEES NOT PENALIZED FOR TIME SPENT IN NONSELLING ACITIVITIES.

ELIMINATES PRESSURE IMPOSED BY UNCERTAINTY OF INCENTIVE SYSTEMS.

TRAINING EASIER. EMPLOYEES DO NOT RESENT TIME AWAY FROM WORK STATION.

EASY TO TRANSFER EMPLOYEES FROM ONE JOB TO ANOTHER.

REQUIRES SIMPLEST BOOKKEEPING OF ANY SYSTEM.

### DISADVANTAGES

NO DIRECT STIMULUS TO INCREASE PRODUCTION.

FREQUENT PERSONNEL OR SALARY REVIEWS NECESSARY TO ENSURE REWARD FRO INDIVIDUAL EFFORT.

DIFFICULTY OF EFFECTING DECREASES IN WAGES WHEN GENERAL CONDITIONS OR INDIVIDUAL PERFORMANCE JUSTIFIES SUCH ACTION.

S T R A I G H T      C O M M I S S I O N

ADVANTAGES

EASY TO UNDERSTAND, BECAUSE EMPLOYEES CAN COMPUTE THEIR OWN EARNINGS.

MINIMUM REGULAR INCOME CAN BE INSURED THROUGH A DRAWING ACCOUNT.

PROVIDES EFFECTIVE INCENTIVE, SINCE INCOME DEPENDS DIRECTLY UPON PRODUCTION.

SERVICE IS IMPROVED THROUGH QUICKER CUSTOMER APPROACH.

DIRECT SELLING COST REMAINS CONSTANT IN RELATION TO SALES.

EXCESS SALESPeOPLE ARE ELIMINATED THROUGH THE DESIRE OF OTHERS TO PRODUCE AT A HIGH LEVEL IN ORDER TO EARN COMMISSIONS.

DISADVANTAGES

PRESSURE ON EMPLOYEE THROUGH BASIC INSECURITY OF AMOUNT OF INCOME.

SALESPeOPLE LOSE INCENTIVE IN SLOW PERIOD WHEN THEY ARE UNABLE TO EARN COMMISSIONS EQUAL TO DRAWING ACCOUNT AND FACES STEADILY INCREASING DEFICIT.

NOT CONDUCTIVE TO MORALE AND SOUND RELATIONS AMONG EMPLOYEES.

PROMOTES SALES GRABBING, HIGH-PRESSURE TACTICS, ETC.

TENDENCY TO NEGLECT STOCK WORK AND OTHER NONSELLING DUTIES.

POOR RECEPTION OF NEW SALES-PEOPLE.

DIFFICULT TO TRANSFER EMPLOYEES FROM ONE JOB TO ANOTHER.

Name \_\_\_\_\_

You sell power tools in the hardware department of a large discount store. You work a total of 40 hours per week and are paid \$80 straight salary. During the past 3 months, you have averaged about \$500 worth of sales per week.

The store manager asks you to choose between a straight commission of 15% of sales and a salary of \$75 per week with an extra 1% commission on your total sales.

What would be your choice? Explain your decision.

Name \_\_\_\_\_

You are the manager of a clothing department in a large store. Management has recently placed your salespeople on a straight commission plan. If the plan is successful in your department, it will be used in other sections of the store.

Since the plan was put into action in your department, you have noticed the following things:

- A. Sales have gone up.
- B. Stockkeeping activities by the employees have fallen off.
- C. There has been friction among some of the sales force.

If sales continue to climb, you will be able to hire someone for the stockwork.

A department meeting is planned, and management will sit in on the meeting. Make notes on what you are going to tell your employees to help straighten out the current problem.

Name \_\_\_\_\_

Write the terms for the following, and then find them in the puzzle.

1. Usually figured as a percentage of sales. \_\_\_\_\_
2. Flat sum paid employee for time worked. \_\_\_\_\_
3. When employer sets definite amount salesperson must sell in a given time.  
\_\_\_\_\_ plan
4. Amount earned limited only by what salespeople can sell. \_\_\_\_\_
5. Where store manager receives a portion of store's profits in addition to regular pay.  
\_\_\_\_\_
6. Receives base salary plus additional amount depending on sales. \_\_\_\_\_
7. Reward for selling certain items. \_\_\_\_\_

Name \_\_\_\_\_

PUZZLE FOR COMPENSATION POLICIES

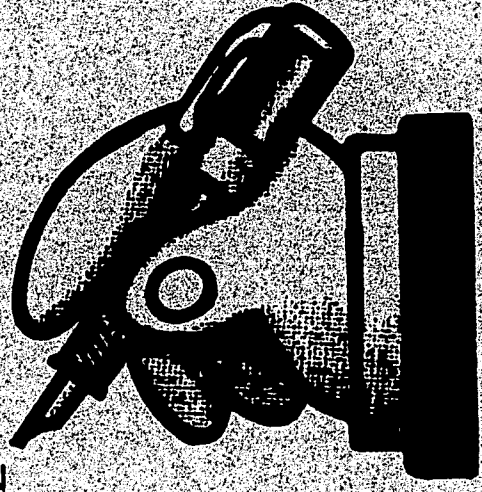
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T H O S O U M A S C H H O W L T  
N B I R C D S O F P O L I C Y R  
O X P R O F I T S H A R I N G A  
I M A N M O F Q U O T A W A R I  
S B U S M P A F I Z U T Q M A G  
S T R A I G H T C O M E D Y S H  
I E X F S L O M E R D O N Y S T  
M P E R S C E A G E P E R E N C  
M C I L I P E N B O O A K N R O  
O A D I O A C T I V L T I O E M  
C S P R N O J E C A T L I M G M  
D H T B U L D O S I L A P M P I  
N L E W A S H T I N G T O U N S  
A A P D I S H T R I E D U I A S  
Y C L N A G D D E R G E N M E I  
R R A L I T Y P E W R I M E A O  
A G I A C T E R M A K R W R O N  
L O R D B R F C S E V I S P E H  
A T P A N X G R A E E N O W I N  
S T R A I G H T E N U P D O W G

KEY TO COMPENSATION POLICIES PUZZLE

S T R A I G H T A R R O W I B S  
T H O S O U M A S C H H O W L T  
N B I R C D S O F P O L I C Y R  
O X P R O F I T S H A R I N G A  
I M A N M O F Q U O T A W A R I  
S B U S M P A F I Z U T Q M A G  
S T R A I G H T C O M E D Y S H  
I E X F S L O M E R D O N Y S T  
M P E R S C E A G E P E R E N C  
M C I L I P E N B O O A K N R O  
O A D I O A C T I V L T I O E M  
C S P R N O J E C A T L I M G M  
D H T B U L D O S I L A P M P I S  
N L E W A S H T I N G T O U N S  
A A P D I S H T R I E D U I A S  
Y C L N A G D D E R G E N M E I  
R R A L I T Y P E W R I M E A O  
A G I A C T E R M A K R W R O N  
L O R D B R F C S E V I S P E H  
A T P A N X G R A E E N O W I N  
S T R A I G H T E N U P D O W G







LESSON  
16

PERSONNEL POLICIES: FRINGE BENEFITS



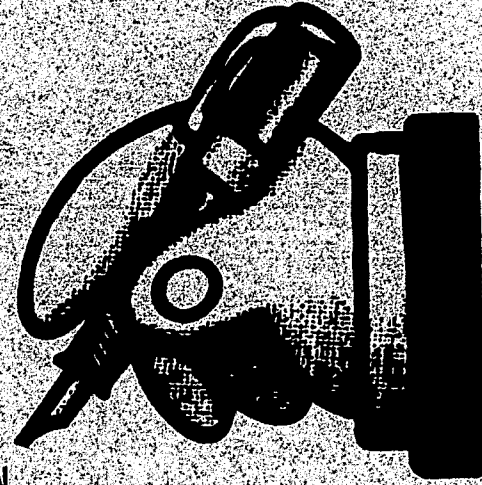
Topical Outline	Suggestions for Instructor
<p>PERSONNEL POLICIES: FRINGE BENEFITS</p>	
<p>Extra benefit that retail personnel receive in addition to salaries.</p>	<p><u>Question to class:</u> What are fringe benefits?</p>
<p>REQUIRED BY LAW</p>	
<p>Some fringe benefits are required by law.</p>	<p>Ex: Unemployment compensation</p>
<p>VOLUNTARY BENEFITS</p>	
<p>Provided to keep employees happy, to attract new employees.</p>	
<p>1. <u>Insurance</u></p>	<p>Ex: <u>Health insurance:</u> store pays all or part of premiums.</p>
<p>2. <u>Employee discount</u></p>	<p><u>Group life insurance:</u> sometimes store pays part of premium. Workers can obtain suitable insurance for less than on individual basis.</p>
<p>Builds goodwill. Most employees shop during slow periods in day, usually take purchase with them.</p>	<p>Ex: Clothing store employee has chance to buy better clothing, making better appearance.</p>
<p>LARGE STORES</p>	
<p>Maintain employee cafeterias where meals sold at less than restaurant prices. Medical, dental, and legal aid at nominal cost. Vacation camps, employees attend free. Pay for or provide additional schooling. Pension and annuity plans being used by leading stores.</p>	

Name \_\_\_\_\_

Do you feel that most young people prefer a job with more pay in comparison with a job that pays less, but has more fringe benefits? Explain.

What fringe benefits are you interested in?

List some benefits that older people might be looking for when they apply for a job.



LESSON

17

PERSONNEL POLICIES: COMMUNICATION POLICIES



Topical Outline	Suggestions for Instructor
<p><b>PERSONNEL POLICIES: COMMUNICATION POLICIES</b></p> <p>Communication among employees, employers and management, major problem in large stores</p> <p><b>SMALL STORES</b></p> <p>Owner of small store knows employees by name, easy for them to talk to him if they have complaints or suggestions.</p> <p><b>LARGE STORES</b></p> <p>Large stores find it necessary to set up definite means of communication.</p> <p><u>Supervisors</u>: Much communication handled through department supervisors. Employees go to supervisor who relays information to management. When action taken, info given to supervisors who relay it to employees.</p> <p><u>Management</u>: Communication among management usually done through report, memorandums, committee reports, conferences.</p> <p><u>Open door policy</u>: Employees should have access to higher authority if he feels grievances being disregarded.</p> <p><u>Unions</u>: If store unionized, representative can help employees. Store executives should never take action until they give supervisor opportunity to present his case.</p> <p><u>Employee Manuals/Bulletin Boards</u>: Contain general information on rules, regulations.</p> <p><u>House Organs</u>: Large department stores publish weekly, monthly newspaper or magazine. Contains personal stories, articles of general interest to store personnel.</p>	<p><u>Question to class</u>: How important are good communications to the morale of an organization?</p> <p><u>Question to class</u>: Is it easier to communicate in a large or small store?</p> <p><u>Question to class</u>: Should employees be encouraged to express their dissatisfactions about their jobs?</p>

Name \_\_\_\_\_

You have been asked by your employer to write an employee manual to be given to new employees when they start working at the store. Prepare an outline of items you feel should be included in the manual.

(Example: vacation policies, dress regulations, rest breaks, etc.)

Name \_\_\_\_\_

As manager of a department store, you are to write a memo to all department heads to inform them that due to budget cuts, they will not receive all the items on their department budgets. Ask them to cut excess items and submit new budget requests. Give a deadline.

MEMO

FROM:

TO:

SUBJECT:

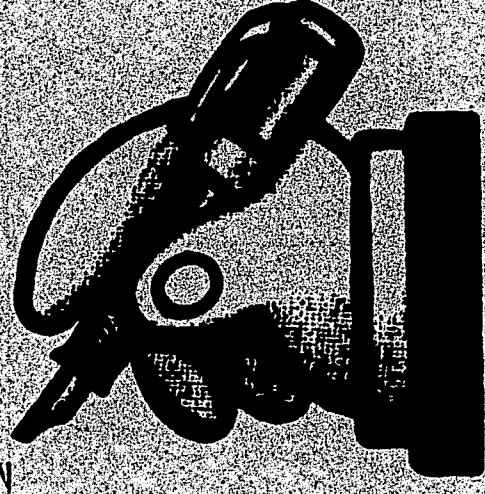
MESSAGE:

Name \_\_\_\_\_

You have seen a fellow employee take merchandise from the store without paying for it. You have talked to your supervisor about the situation without mentioning any names. The supervisor just seems to laugh it off. He has even made jokes about it in front of other employees.

How would you handle the situation? What is your next step? Would you go over your supervisor's head? Give reasons for your decision.





LESSON  
18

PERSONNEL POLICIES: RELOCATION POLICIES



Topical Outline	Suggestions for Instructor
<p><b>RELOCATION POLICIES</b></p> <p>Few employees remain with retail store any length of time in same job or department. New jobs created as store grows, some jobs vacated due to illness, death.</p>	
<p><b>PROMOTION</b></p> <p>Moves employee into new job which has more responsibility, authority. Ability, seniority important factors in determining promotions.</p> <p><u>Promotion from within:</u> Most owners prefer to fill new vacant jobs by promoting from within organization. Avoids cost of hiring, training new worker.</p> <p>Increases goodwill on part of employee</p>	<p><u>Question to class:</u> Why is it a good policy for a store to promote its own employees to fill vacant jobs rather than hiring new employees?</p>
<p><b>TRANSFER</b></p> <p>Involves moving employee to another job in store. Employee might be on job for which he is not suited. Might be more productive if were transferred to another job. Transferred to alleviate friction among employees. Managerial personnel in training programs transferred from department to department to learn all aspects of store's operation.</p>	<p><u>Question to class:</u> What advantages are there in transferring an employee from 1 department to another instead of discharging a person in 1 department when he is not needed and hiring a new person in another department?</p>
<p><b>TERMINATIONS</b></p> <p>Most employees who quit, do so within short period of time after accepting employment. Majority who voluntarily terminate accept similar jobs in stores at about the same pay. When employee is dismissed for "cause" situation, should be handled quickly and carefully. Paid promptly and removed from labor force. Dismissals that don't involve offense on employees part require reasonable notice by personal interview some time before effective termination.</p>	<p>Ex: Quit because of poor introduction to job, difficulties with supervisors, little opportunity for advancement, dissatisfaction with wages, etc.</p> <p>Ex: Failure to meet store standards, decline in personnel requirements.</p>

Name \_\_\_\_\_

As personnel director of a large department store, you receive weekly reports on new employees. The company has a policy that if the new employees do not meet company employment standards, they will be terminated at the end of a 6 week trial period.

Reports on Judy Green, a new salesperson in the budget clothing department, indicate that she is an excellent worker.

She was late to work on 3 different occasions. She notified her supervisor each time, and told him she would be in to work as soon as possible. She was late an average of an hour and a half each time. Twice, she claimed that she had car trouble, and once, she had an appointment with the eye doctor.

She has called in sick 2 days with a cold.

She has told her supervisor that if she was kept on after the 6 week trial period, she would have to have 2 Saturdays off in the coming month.

It is now time for you to make a decision on whether to terminate the employee or keep her on. What is your decision? Explain what steps you will take.

Name \_\_\_\_\_

The supervisor of the men's department is planning on retiring in 2 months. The store has a policy to promote from within whenever possible. 2 men are being considered for the job.

As personnel director, the final choice is up to you.

Joe is 35 years old, married with 2 children. He is a dependable worker of average sales ability who is well liked by his fellow employees. He has been taking management courses in the evenings at a local university.

Glen is a single 27 year old high school graduate. He is the top salesman in the department, and has many customers who ask specifically for him. He is a self starter, doing things before his supervisor asks him. Because of his image as a "go-getter" he doesn't get along with the other salesmen in the department. In charge of the company Christmas party, he showed that he had leadership ability. Glen had let it be known that if he does not get the promotion, he may leave for another job.

Which employee receives the promotion? Explain your decision.

Discuss what you will tell the employee who did not receive the position.



LESSON  
19

BEHIND-THE-SCENES WORK: RECEIVING, CHECKING GOODS



**PHYSICAL LAYOUT AND EQUIPMENT.**

Physical layout of receiving area, amount and type of special equipment needed vary from one store to another.

**RECEIVING PROCESS**

Incoming shipments should be examined immediately in presence of carrier's agent. The number of packages, condition, and damage should be noted on carrier's receipt before it is signed. Ask deliveryman to sign for confirmation purposes.

**CHECKING SYSTEMS**

1. Direct check  
Directly checking against vendor's invoice of quantities received.
2. Blind check  
Checker counts, lists items without aid of an invoice. Shortage not disclosed until checker's listing compared with invoice.
3. Quality check  
Extent shipments checked for quality depends on goods involved, size of store. Quality check in stores usually done by staff of specific departments ordering goods. Provides sound basis for immediate claims on damaged or defective merchandise.

Question to class: What should be checked when a shipment arrives at the store?

Name \_\_\_\_\_

When any irregularities are found in the incoming shipment, a form is needed to communicate with the vendor. Design such a form.



Name \_\_\_\_\_

Assume that you are in charge of inspecting incoming goods in a discount store. What kind of check would you give the following items that arrived at the store today:

SHIRTS	RECORD ALBUMS	NAILS	PAPER BACK BOOKS
BICYCLE	SHOES	MOTOR OIL	HAMMERS
CANDY	YARD FURNITURE	CAMERAS	BLOUSES
TENNIS RACKETS	GLASS WARE	GOLF BALLS	PERFUME
FILM	TAPE PLAYERS	GRASS SEED	PENS, PENCILS
CANDLES	COSTUME JEWELRY	TV	TRANSISTOR RADIOS
WRIST WATCHES			

Direct check:

Blind check:

Quality check:



LESSON  
20

BEHIND-THE-SCENES WORK: MARKING OPERATIONS



Topical Outline	Suggestions for Instructor
<p><b>MARKING OPERATIONS</b></p> <p>Marking operations should have clearly defined operations. Marking should be neat, legible, attractive. Placement of marking should be planned so information is visible or accessible to salespeople, customers. Marking should be permanent as possible, Tickets, tags, labels should be simple, standard</p>	
<p><b>PRICE INFORMATION</b></p> <p>There must be system for giving price and other data to markers.</p>	<p>Ex: Common practice for department buyer to write unit selling prices on vender's invoices.</p>
<p><b>EXTENT OF INFORMATION ON PRICE TICKETS</b></p> <p>Store's control system determines extent of information to be marked on goods.</p>	<p>Ex: Apparel item normally carry information on size, style, number, color, etc.</p>
<p><b>TYPES OF MARKING</b></p> <ol style="list-style-type: none"> <li>1. <u>Bulk marking</u> Used with goods moved to reserve stock in original shipping containers. Price is placed only on container. Individual units not marked until goods transferred to forward stock.</li> <li>2. <u>Nonmarking</u> Receiving, stocking, selling goods without price-marking units at any time. Usually used with items of low unit value or for sanitary reasons.</li> <li>3. <u>Premarking</u> Done by manufacturers before it is shipped.</li> <li>4. <u>Remarking</u> Done because of price changes, lost or mutilated tickets, customer returns. Expense of remarking usually higher than original marking.</li> </ol>	<p>Ex: notions, candy, school supplies, fresh produce that are placed in bin with sign or tag.</p> <p>Ex: Shirts where price is printed on plastic bag by manufacturer.</p>

Name \_\_\_\_\_

Store security has learned that some customers of the discount store are changing price tickets. They find a ticket on an item that is priced low and then place it on a higher priced item. Give at least 3 suggestions that would put an end to this problem.

Name \_\_\_\_\_

Most retail stores include the cost of the item on the price ticket along with the retail price. The cost price is usually written in code. Write the cost price in code on the following:

Code 1:      MONEY TALKS  
                 12345 67890

Example: \$44.42 = EEE0

1. \$25.42 \_\_\_\_\_

7. \$104.37 \_\_\_\_\_

2. \$67.17 \_\_\_\_\_

8. \$ 56.72 \_\_\_\_\_

3. \$31.03 \_\_\_\_\_

9. \$ 77.21 \_\_\_\_\_

4. \$36.74 \_\_\_\_\_

10. \$ 81.29 \_\_\_\_\_

5.     .42 \_\_\_\_\_

11. \$ 93.18 \_\_\_\_\_

6. \$ 5.36 \_\_\_\_\_

12. \$1239.45 \_\_\_\_\_

Code 2: Write the cost price in code if the figure 5 is placed in front of the cost price, and 5 is added to each digit. Example: \$44.42 = 599.97

Use the figures above.

1. \_\_\_\_\_

7. \_\_\_\_\_

2. \_\_\_\_\_

8. \_\_\_\_\_

3. \_\_\_\_\_

9. \_\_\_\_\_

4. \_\_\_\_\_

10. \_\_\_\_\_

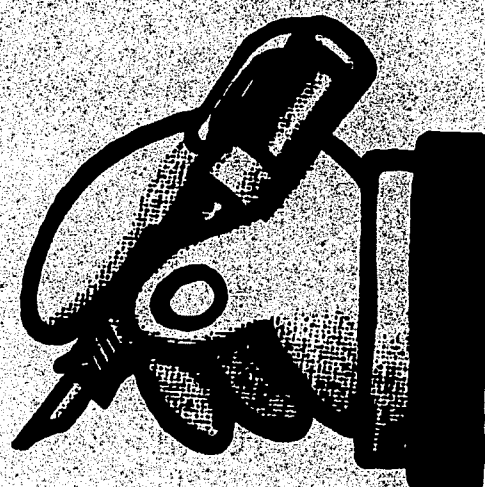
5. \_\_\_\_\_

11. \_\_\_\_\_

6. \_\_\_\_\_

12. \_\_\_\_\_

Make up your own code, and illustrate it below.



LESSON  
21

BEHIND-THE-SCENES WORK: ARRANGING GOODS IN STOCK



## ARRANGING GOODS IN STORE

After goods checked, marked, must be distributed to selling or storage areas. Where they are to be delivered is determined from purchase order, which shows department that ordered goods.

## PROPER ARRANGEMENT OF STOCK IN STORE

Proper arrangement of stock accomplishes 3 things:

1. To aid in selling

- A. Items customers want to inspect, placed where easily seen and easy for customer to handle. Well lighted, attractively arranged.
- B. Fast selling goods, placed to draw customer's attention to other merchandise.
- C. Impulse goods, placed along main line of customer traffic.
- D. Profitable goods, displayed in conspicuous places.
- E. New goods, placed behind or beneath old goods on shelf.

2. To aid new salespeople

Keep arrangement of stock logical, simple so that it can be learned in minimum of time. Keep it convenient for salesperson to handle, keep in order.

3. Facilitate stock control

Arrange so it can be easily replenished, counted. Use dividers where possible. Be flexible to allow introduction of new styles.

Ex: Shoe store - one wall devoted to women's shoes, another to men's, another to children's. Each wall divided into sections, sizes, colors, etc.



Name \_\_\_\_\_

The reserve stock area for the small appliance center of a department store is located in the basement. When forward stock is low, the salesperson uses a house phone to call down for the item to be delivered to the sales floor.

During the busy season, customer might have to wait for their item from the stockroom for 15 to 20 minutes. Many remarks have been made and a few sales have been lost because of the wait.

The store plans to do some remodeling soon. Suggest some solutions to this problem. See how many solutions you can think of that will not use valuable selling space for stock area.

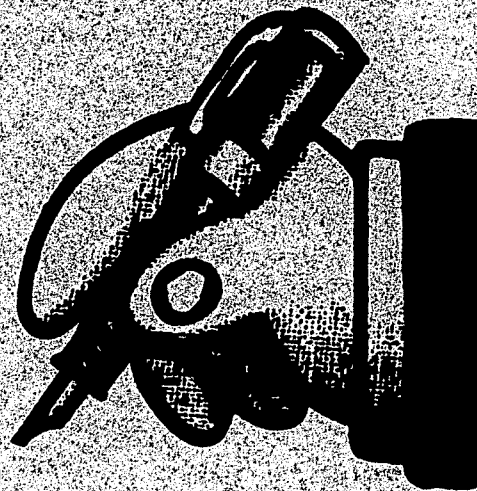
Name \_\_\_\_\_

Show how you would arrange the forward stock in a shoe store so that it would aid in selling and be convenient for a salesperson to handle.

You carry shoes for men, women and children. They should be divided into sizes, colors, styles (dress, casual, etc.).

You can sketch your solution.





LESSON  
22

CUSTOMER SERVICES: GENERAL



Topical Outline	Suggestions for Instructor
CUSTOMER SERVICES: GENERAL	
Services are important to all kinds of retail stores.	Overhead 22-A
OBJECTIVES OF SERVICE OFFERING	
1. Increases form utility of product sold. Various kinds of workroom operations.	Ex: Clothing alterations, silver engraving, or carpet installation.
2. Builds sales opportunity for line of merchandise.	Ex: Golf instruction, sewing courses, fashion advisory services, teen programs.
3. Provides comfort, convenience for store customers.	Ex: Restrooms, meeting places, drinking fountains.
4. Pulls additional traffic to store.	Ex: Post office branches, bureau to issue licenses, collect utility bills, community exhibits.
DETERMINING SERVICE OFFERING	
1. <u>Type of operation</u> Firms in same line of business differ on services.	Ex: One retailer operates on strong service basis, another features low prices, limited service.
2. <u>Store location</u>	Ex: Downtown stores find it necessary to arrange parking facilities, develop systems for handling telephone, mail orders.
3. <u>Type of merchandise</u> Extensive service because of nature of goods handled.	Ex: Apparel store provides fitting, alterations.
4. <u>Financial resources, firm size</u> Sometimes volume of business will not support it.	Ex: Small appliance dealer may be unable to secure needed capital to finance service department.
5. <u>Competition</u> Struggle for customers major factor in expansion of store service.	
6. <u>Merchandising strategy</u> Service will prove profitable in terms of some specific sales objective.	Ex: Check-cashing service is good-will building device, frequently means immediate sales.

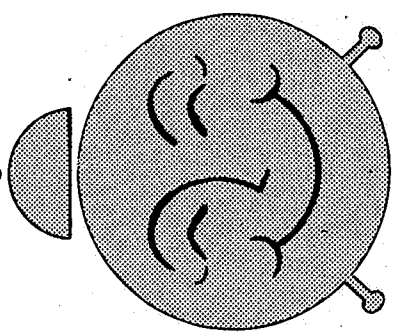
Topical Outline	Suggestions for Instructor
<p>TYPES OF SERVICES OFFERED</p>	
<p>1. <u>Customer accomodation services</u> Maintain customers' goodwill, help ensure continued patronage.</p>	<p>Ex: Adjustments, refunds, exchanges, CODs, approval sales, installations, repairs, alterations, special orders, guarantees, warranties.</p>
<p>2. <u>Credit services</u> Permits customers to buy goods when they need them most.</p>	<p>Ex: Installment account, revolving account, 90-day account, regular or 30-day charge account.</p>
<p>3. <u>Informational and advisory service</u> Helps customer make intelligent buying decisions.</p>	<p>Ex: Fashion consultation, personal shopper, wedding arrangements, consultation and information services, educational services (cooking, sewing, knitting, makeup, sports, hobbies), printed instructions, technical merchandise information.</p>
<p>4. <u>Merchandise-handling services</u> Makes buying more convenient for customers.</p>	<p>Ex: Catalog sales, layaway, wrapping and packing, storage, delivery and shipping, mail and telephone orders.</p>
<p>5. <u>Customer shopping convenience</u> Builds customer goodwill.</p>	<p>Ex: Charity festivals, scholarships, free concerts, art shows, parking, extended store hours, information, check cashing, gift certificates, rest rooms.</p>
<p>CURRENT TRENDS IN SERVICE OFFERINGS</p>	
<p>Many stores have attempted to achieve distinctive image by adding services. Studies show they over-estimated appeal of services in attempt to obtain patronage from customers not formerly part of their natural markets. Service programs should be reviewed periodically to determine what and how much service most customers want and are willing to pay for, directly or indirectly.</p>	
<p>Additional services can give competitive advantage to stores catering to broad segments of the market only when:</p>	
<p>1. Service has strong appeal to majority of customers.</p>	
<p>2. Service does not create impression of luxury or extravagance.</p>	
<p>3. Service does not add to costs so it necessitates higher markups.</p>	

CUSTOMER SERVICES

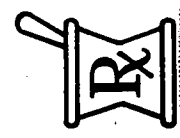
**24**  
**Prompt Delivery**

**NAME TAPES**  
*Scram!*  
**FREE**

**ONE DAY**



**SERVICE**



**PRESCRIPTION SERVICE**

**\$**  
**HOLDS ANY GIFT**

**LAYAWAY A GIFT TODAY**

Name \_\_\_\_\_

Select 2 of the businesses below and list services they should offer to meet their competition. Also, indicate services they could provide that are not currently being offered.

Businesses: Supermarkets, Department Stores, Gas Stations, Dry Cleaners

Business 1:

Services not currently being offered:

Business 2:

Services not currently being offered:



Name \_\_\_\_\_

You are a manager of a specialty shop which sells clothing. A discount store down the street is putting in a line of ready-to-wear clothing. They are running advertisements that state: "Why pay more, buy it here."

To justify your higher prices, you decide to run ads that stress the services your store provides customers. Make a list of the services you offer that the discount store does not provide customers.



LESSON  
23

CUSTOMER SERVICES: STORE HOURS

Topical Outline	Suggestions for Instructor
<p>DEMAND FOR RETAIL SERVICES</p>	
<p>There has been continuing increase in amount of retail business transacted at night and on Sunday. There has been deterioration of conventional "9 to 6" retailing.</p>	<p><u>Question to class:</u> What is your idea of an "ideal" work schedule?</p>
<p>BASIC CHANGES</p>	<p><u>Question to class:</u> What difficulties would an employer have if he scheduled all his employees according to their "ideal" work hours?</p>
<p>Changes that enlarge span of time over which retail store services are needed by many people.</p>	
<p>1. <u>Suburban Shopping</u> Suburban shopping is often family shopping. Nights and Sundays usually only convenient time for family to be out together.</p>	<p>Overhead 23-A</p>
<p>2. <u>Husband and Wife Shopping</u> Majority of big ticket items (appliances, furniture) involve both husband and wife. Because of work schedules, best time would be in evenings or weekends.</p>	
<p>3. <u>Auto Age</u> Dependence on automobile has changed attitudes on shopping. In some families, car not available until evenings or on weekends. Store visits tend to be shifted to such times.</p>	<p>Overhead 23-B</p>
<p>4. <u>Modern Teenagers</u> Tend to do their own shopping. This generation does much of its buying after dinner.</p>	<p><u>Question to class:</u> When do you do your shopping?</p>
<p>5. <u>Industrial Age</u> Many types of businesses run around the clock, often 7 days a week. This disrupts conventional attitudes about normalcy in working and leisure time.</p>	<p><u>Question to class:</u> Do you know people who work on weekends or at nights, and have weekdays off?</p>
<p>FORMULATING STORE HOURS</p>	
<p>Consumer's shopping habits conditioned by availability. Few retailers have latitude in formulating their store hours.</p>	

Topical Outline	Suggestions for Instructor
<p>1. <u>Shopping Centers</u> Shopping center developers favor night hours. Often incorporate mandatory operating hours into leases.</p>	
<p>2. <u>Supermarkets</u> Supermarkets rarely concede a rival an advantage in hours. Some grocery stores are trying 24 hour service.</p>	
<p>3. <u>Downtown Area</u> Pattern of store hours usually set by more dominant stores. Small business gains little by being open other times. Misses opportunity if store does not follow suit. Downtown store hours have been in process of adjustment since shopping centers and malls became rivals for business.</p>	<p><u>Question to class:</u> What are the current downtown area hours?</p> <p><u>Question to class:</u> Do you feel these hours should be changed? Why? How would you change them?</p>
<p>FUTURE OUTLOOK</p>	
<p>1. Continued expansion of late hours in suburban stores.</p>	<p><u>Question to class:</u> What opposition can you see for Sunday shopping hours?</p>
<p>2. More consistent pattern of operating hours among central business district merchants. Major stores will set pace with others following.</p>	
<p>3. Later store opening hours in central business districts so there will be more night openings without enlarging total hours of operations.</p>	
<p>PROBLEMS</p>	
<p>Serious problems for retailers in connection with selecting, training, maintaining desirable work force.</p>	



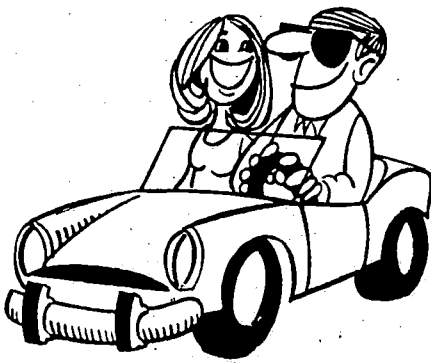
# STORE HOURS: Basic CHANGES Suburban Shopping



# Husband - Wife Shopping



Industrial  
Age



Auto  
Age



Modern  
Teenagers



Name \_\_\_\_\_

You are planning on opening a furniture store in the suburbs of the city. Plan your store hours and give reasons for the selection of those hours.

Name \_\_\_\_\_

### SCHEDULING WORKERS: PART ONE

You are a manager of a clothing store which employs 3 full-time salespeople (40 hours a week) and a distributive education student who works 20 hours a week (usually 4 or 5 hours a day).

You are open: 9 a.m. - 9 p.m. on Monday and Friday  
9 a.m. - 5 p.m. on Tuesday, Wednesday, Thursday and Saturday

Salesperson A has Tuesday off  
Salesperson B has Wednesday off  
Salesperson C has Thursday off  
DE student has no set day off

There should be at least 2 people on the sales floor most of the time. The morning hours are slow. Evening hours have heavy customer traffic.

Design a work schedule form to give employees.  
Figure out a typical work schedule for 1 week.

Name \_\_\_\_\_

### SCHEDULING WORKERS: PART TWO

The following things happen after you have scheduled your workers for the week:

The distributive education student is going to participate in the sales competition at the State Conference. He would like to be off Friday and Saturday.

Salesperson A has to attend an out-of-state family function. He won't be back in town until Tuesday.

Revise your schedule!!



LESSON  
24

CUSTOMER SERVICES: COMPLAINTS/MERCHANDISE RETURNS

Topical Outline	Suggestions for Instructor
<p>COMPLAINTS AND MERCHANDISE RETURNS</p>	
<p>Complaints and merchandise returns are sounding board management uses to measure customer satisfaction.</p>	<p><u>Question to class:</u> How can complaints and returns be used to aid a retail store owner in operating his business?</p>
<p>RETURNED GOODS</p>	<p>Overhead 24-A</p>
<p>Returns commonly exceed 10% of gross sales. Expensive merchandise returned more than inexpensive. Cost of handling returned goods triples usual cost of handling sale.</p>	<p><u>Question to class:</u> What additional costs are involved when customer returns merchandise?  <u>Question to class:</u> How do you feel about stores giving due bills instead of cash refunds?</p>
<p>REASONS FOR MERCHANDISE RETURNS</p>	<p>Overhead 24-B</p>
<p>Visible or surface causes of return are not necessarily correct ones. In 90% of cases, complaint backed by sincere belief of customer that there is just cause.</p>	
<p>WAYS TO REDUCE RETURNS</p>	
<ol style="list-style-type: none"> <li>1. Set general rules in regard to returns.</li> <li>2. Maintain high standards of merchandise quality. Choose reliable resources, inspect goods when received at store.</li> <li>3. Train salespeople to fill all orders with care.</li> <li>4. Insist salespeople do complete selling job while customer is in store. Never encourage customer to take goods home to make decision.</li> </ol>	<p>Ex: Returns must be made within certain number of days. Price ticket must not be removed. Some goods sold with no return privilege.</p>
<p>RULES FOR HANDLING COMPLAINTS</p>	
<ol style="list-style-type: none"> <li>1. Make it easy for customers to register complaints. Could lose customers.</li> <li>2. Personnel should maintain sympathetic, respectful, patient attitude.</li> </ol>	<p>Ideal customer: One who never complains to store or makes scene over injustices. They just quietly transfer patronage elsewhere.</p>

Topical Outline	Suggestions for Instructor
<p>3. Adjusters should be interested and attentive listeners. Secure all evidence.</p> <p>4. Adjustment policy should be flexible.</p> <p>5. Prompt settlement. Direct relationship between degree of customer satisfaction created and promptness with which complaints are settled.</p> <p>6. Chronic trouble-makers should receive courteous but firm treatment. Keep records of all policy adjustments.</p>	<p>Ex: A store has a 10 day return policy. Customer was out of town during the period and unable to take action within time limit.</p>



<b>KINDS of GOODS</b>	<b>PERCENTAGE of RETURN</b>
<b>DRESSES</b>	<b>25.4%</b>
<b>WOMEN'S/MISSES' WEAR</b>	<b>10.9</b>
<b>SHOES</b>	<b>10.5</b>
<b>MEN'S FURNISHINGS</b>	<b>6.7</b>
<b>GLOVES</b>	<b>5.9</b>
<b>HOSIERY</b>	<b>5.7</b>
<b>FURNITURE</b>	<b>3.3</b>
<b>NOTIONS</b>	<b>3.0</b>
<b>MILLINERY</b>	<b>2.6</b>
<b>GROCERIES</b>	<b>2.4</b>

**REASONS for  
RETURNS**

<b>WRONG SIZE</b>	<b>37.2%</b>
<b>UNSATISFACTORY MERCHANDISE</b>	<b>16.5</b>
<b>GOOD THAT DID NOT MATCH</b>	<b>15.6</b>
<b>CHANGE OF MIND</b>	<b>15.0</b>
<b>FAULTY MERCHANDISE</b>	<b>13.0</b>
<b>MISREPRESENTATION OF THE STORE</b>	<b>1.2</b>
<b>DISAPPROVAL OF THE PERSON FOR WHOM GOODS WERE PURCHASED</b>	<b>1.2</b>
<b>UNSATISFACTORY DELIVERY SERVICE</b>	<b>.3</b>
	<hr/> <b>100.0%</b>



Name \_\_\_\_\_

Design a form that could be used when a customer has a complaint about merchandise or service.

Name \_\_\_\_\_

You work in a store that has a very liberal return policy. After a physical inventory was taken, the owner found that in the appliance department there were more blenders accounted for than were purchased from the manufacturer.

It was found that people were purchasing the blenders at local discount houses that were using them as "leaders" in their ads, and then returning them to your store making a profit on the return.

Your employer asks you to set up new return policies. Write up your recommendations.



LESSON  
25

CUSTOMER SERVICES: RETAIL CREDIT

Topical Outline	Suggestions for Instructor
<p>RETAIL CREDIT</p> <p>Some businesses sell for cash-only; others extend credit to customers. If business extends credit, much success will depend upon policies and care which is extended and collections are made.</p>	<p><u>Question to class:</u> Is credit an essential service for all stores to provide?</p> <p><u>Question to class:</u> Who benefits most from credit, the customer or the store?</p>
<p>ADVANTAGES OF CREDIT OPERATION</p> <ol style="list-style-type: none"> <li>1. Credit stores usually able to build clientele of regular customers. Credit customers concentrate purchases with stores where they have accounts. Cash customer more likely to shop around, scatter purchases more widely.</li> <li>2. Credit stores may attract more desirable class of customers. Tend to buy goods of higher quality, more interested in reputation of store and services offered.</li> <li>3. Credit customers buy more goods than cash customers. Making immediate payment is often reason for backing out of sales involving large amounts of money.</li> <li>4. More uniform distribution of sales volume. Cash sales heavily concentrated following pay days. Credit customers buy whenever wants are recognized.</li> <li>5. Charge customers provide excellent mailing and promotional list.</li> <li>6. More intimate relationship established between customers and store. Trust extended customers gains confidence in store.</li> </ol>	



Topical Outline	Suggestions for Instructor
RETAIL CREDIT PLANS	
3 basic types of credit plans:	
<p>1. <u>Open/Regular Account</u>  Most common plan. Customer billed each month for purchases made previous month. Expected to pay promptly. Limits set on amount customer may purchase and owe. Store does not have right to repossess goods bought on open account and not paid for, but can sue for amount owed.</p>	<p><u>repossess</u>: take back</p>
<p>2. <u>Deferred/Revolving Account</u>  Modified open account. For buyers of nondurable goods. Pay small sum each month rather than full amount of monthly purchases. A service charge is added to monthly balance. When customers make monthly payments, they are allowed to buy more as long as account balance doesn't go over set limit.</p>	<p>Service charge is generally 1 1/2 % of balance due.</p>
<p>3. <u>Installment Plan</u>  For customers who purchase expensive durable goods and pay for them over long period of time. Buyer signs contract, agrees to make series of payments. Possesses goods, uses them while still paying. Usually financing charge added to price, down payment made, balance spread over series of monthly payments. Seller has right of repossession. If seller doesn't get enough to cover amount due him when reselling, can sue buyer for difference.</p>	<p>Ex: refrigerators, automobiles, furniture</p>

Name \_\_\_\_\_

CROSSWORD PUZZLE CLUES

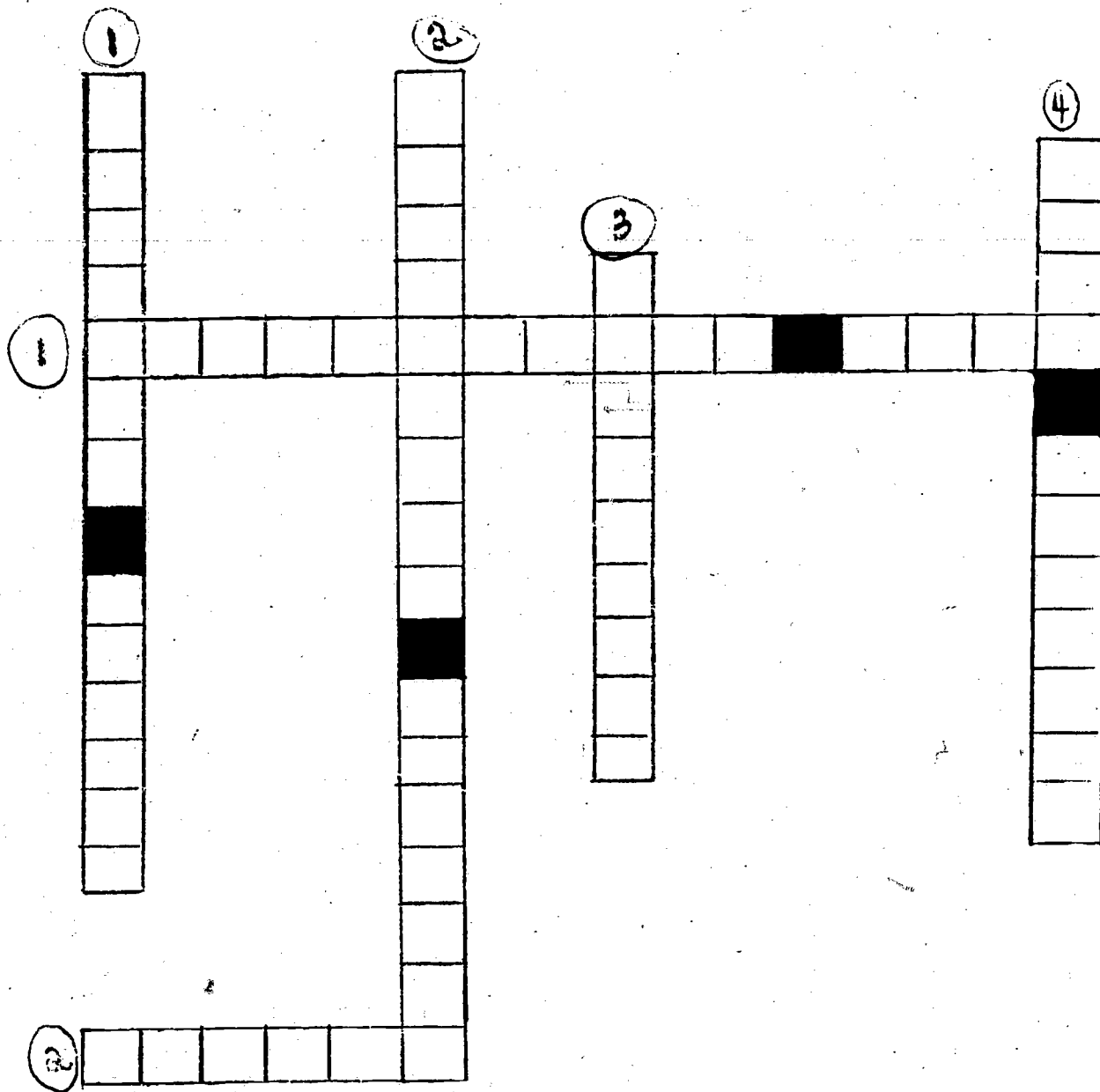
ACROSS

1. Under this plan, the retailer has the right of repossession. (2 words)
2. Permits customers to buy goods when they need them most.

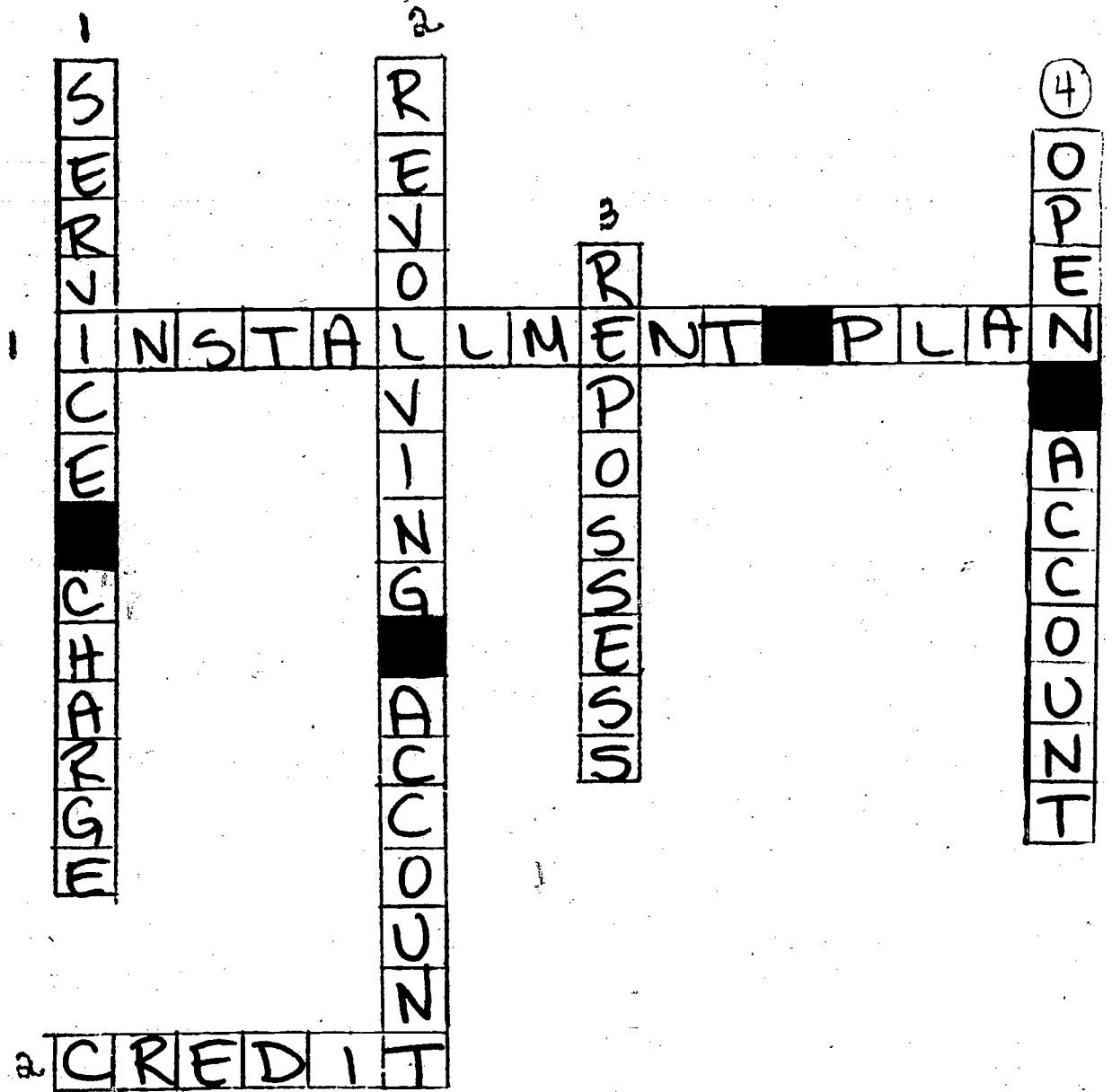
DOWN

1. Added to monthly balance under the deferred account. (2 words)
2. Pay small sum each month rather than full amount of monthly purchases. (2 words)
3. Take back goods bought on credit.
4. Most common credit plan (2 words)

Name \_\_\_\_\_



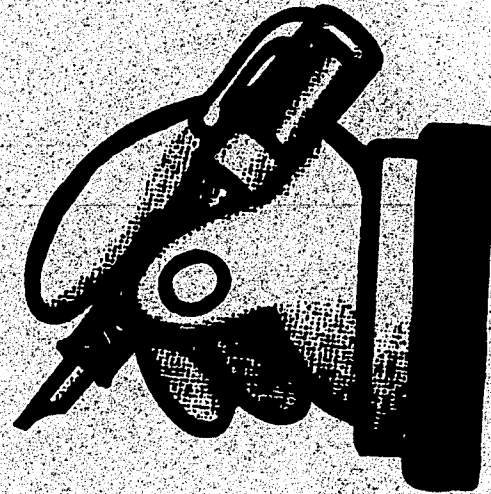
CROSSWORD PUZZLE ANSWERS



Name \_\_\_\_\_

You are credit manager for a hardware store. A local contractor purchased some tools for his business using his open/regular account. The contractor is a good customer, he has always paid his bills on time.

The bill was sent last month, but no payment was made. Write a short note to insert with the bill being mailed this month.



LESSON

26

CUSTOMER SERVICES: DELIVERY



Topical Outline	Suggestions for Instructor
<p>CUSTOMER SERVICE: DELIVERY</p> <p>Store location and type of merchandise have much to do with importance of delivery service.</p>	
<p>NEED FOR DELIVERY SERVICE</p> <p>Congestion in city streets, driving and walking hazardous, parking facilities less convenient, extensive buying by telephone.</p>	<p><u>Question to class:</u> Do you feel customers should pay extra for delivery?</p>
<p>COMMON TYPES OF DELIVERY SERVICE</p> <p>1. Individually owned equipment. Equipment owned by business. Hires necessary drivers, pays all costs of equipment repairs, storage, supplies, insurance.</p>	
<p><u>Advantages</u></p> <p>A. Delivery personnel, being employees, make better contact between business and customer.</p> <p>B. Equipment used for advertising purposes.</p> <p>C. Equipment can relate image of store.</p> <p>D. More flexible in delivery routes and schedules.</p>	<p>Personnel should be carefully chosen. Responsible for their acts.</p> <p>Ex: Store name and sale items on side of truck.</p>
<p>2. Consolidated delivery service. Several stores make contract with privately owned business to take care of deliveries.</p>	
<p><u>Advantages</u></p> <p>A. Need not invest large amounts of capital.</p> <p>B. Reduces delivery costs. When sales are slack, delivery costs are low.</p> <p>C. Small businesses can have delivery service.</p> <p>D. Eliminates problems of management of employees needed to operate service.</p> <p>E. Shifts responsibility for damage suits caused by delivery equipment to owners of delivery service.</p>	<p>Ex: Contract usually provides for charge of so much per unit delivered.</p> <p>Ex: New store that is too small to warrant purchasing delivery equipment, can have deliveries made as promptly as large stores.</p>

Topical Outline	Suggestions for Instructor
<p>3. Express, Parcel Post, Freight. Most often used when customer lives outside immediate trading area.</p> <p>DELIVERY SERVICE PROBLEMS</p> <ol style="list-style-type: none"><li>1. Promptness is essential.</li><li>2. Need efficient system for sorting, routing, recording, physical handling.</li><li>3. Difficulty in finding customer at home.</li><li>4. Complicated by highs and lows of volume from month to month and day to day.</li></ol>	

Name \_\_\_\_\_

Some discount furniture stores are providing truck and trailers for their customers to transport their own purchases to their homes. What would be the advantages and disadvantages of this policy?

Advantages:

Disadvantages:

What other types of stores might benefit from this type of "delivery service?"

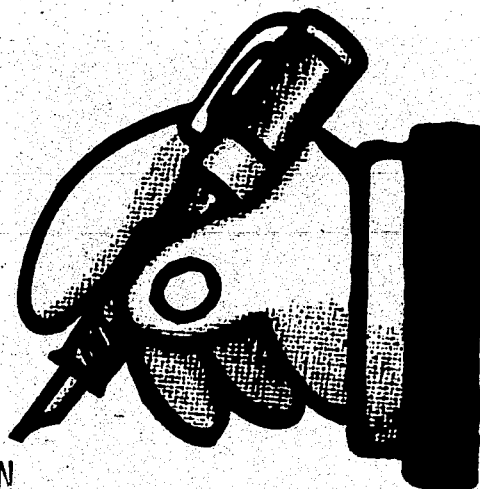
Name \_\_\_\_\_

You are the manager of a chain discount store. The owner decides to add an appliance center (washers, dryers, refrigerators, etc.).

Some form of delivery service will be needed.

He asks you to write up your recommendations. Do you favor company owned equipment, a consolidated delivery service, or some other plan? Give your reasons for the choice.

He has also asked you to write some delivery policies. (Example: No deliveries outside of city or suburban shopping district). List the policies below.



LESSON  
27

PRICING MERCHANDISE

Topical Outline	Suggestions for Instructor
<p>PRICING MERCHANDISE</p>	
<p>Price that business places on products or services will have definite effect on success or lack of success.</p>	
<p>FACTORS AFFECTING PRICE</p>	
<p>1. <u>Costs/Expense</u></p>	
<p>Selling price must not be lower than cost of merchandise plus its share of total expenses of store.</p>	
<p>A. <u>Flat expenses</u></p>	<p>Ex: receiving, marking, storage, wrapping, packing, delivery, and installation expenses.</p>
<p>About same for every item handled. Classified as handling expenses.</p>	
<p>B. <u>Variable expenses</u></p>	<p>Ex: Salespersons' salaries, advertising expenses, markdowns, shortages, insurance and interest on investment in goods.</p>
<p>Different for each item but approximately same percentage relationship to retail price.</p>	
<p>C. <u>Overhead expenses</u></p>	<p>Ex: rent, store maintenance, record-keeping expenses, supervisory and administrative expenses.</p>
<p>Costs of operating store that do not vary with number or value of specific items being sold.</p>	
<p>2. <u>Desirability</u></p>	
<p>Goods that are more desirable can be priced higher. These items include fashion appeal items, hand-crafted items, unique foreign imports, improved products.</p>	<p>Ex: When steel-studded tire introduced, price was higher than conventional snow tire. Paid higher price for added safety, convenience.</p>
<p>3. <u>Customary price</u></p>	
<p>If customers accustomed to buying item at certain price, will always expect to find item at same price. If store raises price, customers think store is attempting to make unfair profit. Should price be lowered, they become suspicious of quality.</p>	
<p>4. <u>Competition</u></p>	
<p>Should not charge more than prices being charged by similar retailers offering similar services.</p>	
<p>5. <u>Supply and Demand</u></p>	
<p>When demand is greater than supply, higher prices can be charged. When supply exceeds demand, prices must be set low.</p>	<p>Ex: When asparagus first reaches market, supply is low, people willing to pay higher prices. When more appears on market, prices lowered.</p>



Topical Outline	Suggestions for Instructor
<p>6. <u>Possible markdowns</u>  Seldom sell entire stock at full price. Must be marked down if they are to be sold. 3 types of price reduction are:</p> <p>A. <u>Sale</u>: offer of goods at lower price than normally charged. Runs for limited time, after which items return to higher price.</p> <p>B. <u>Clearance</u>: used to remove left-over items. Clearance items not returned to former prices.</p> <p>C. <u>Special purchases</u>: goods retailer able to acquire at low cost. Passing savings on to customers.</p>	<p>Ex: Items become damaged, soiled, out of season or fashion.</p>
<p>GOALS IN PRICING</p> <ol style="list-style-type: none"> <li>Achieving return on investment.</li> <li>Achieving a share of market. New store might set price levels low for short period to attract customers.</li> <li>Stabilizing prices. Try to keep prices in line with competition. Nobody earns fair profit through price cutting, price wars, cut-throat competition.</li> </ol>	
<p>PRICING POLICIES</p> <ol style="list-style-type: none"> <li><u>One price policy</u>  Goods sold to all customers at one price, marked on goods. All customers treated alike.  <u>Advantages:</u>  Builds customer confidence.  Saves time.</li> <li><u>Variable pricing</u>  Price determined by bargaining between customer, salesperson. Customers may pay higher/lower prices for same merchandise. Seller has opportunity to be flexible in dealings.</li> </ol>	

Topical Outline	Suggestions for Instructor
<p>3. <u>Price lining</u>  Prices at which like assortments of goods are offered to customers.  <u>Advantages:</u>  Eliminates confusion of a number of prices.  Stock moves more quickly.  <u>Disadvantages:</u>  Difficult for store to adjust to meet competition.</p>	<p>Ex: Store may sell \$79, \$100, and \$150 suits.</p>
<p>4. <u>Odd-cent pricing</u>  Prices have psychological effect. Used mainly in discount stores and bargain-oriented stores.</p>	<p>Ex: \$2.95 seems much lower than \$3 because people pay more attention to dollar figure.</p>
<p>5. <u>Leader pricing</u>  <u>Leaders:</u> items priced just above delivered cost price. Usually covers part, but not all, of expense of handling item.  <u>Loss Leaders:</u> items sold for less than cost to store including delivery. Theory is once customers are in store, they will buy other items.</p>	
<p>6. <u>Unit pricing</u>  Pricing item by standard measure, regardless of weight, price of container it comes in. Enables shoppers to determine price for a particular quantity.</p>	<p>Ex: Pricing by the pound or ounce.  Ex: Box of spaghetti priced at 32¢ and weighed 8 ounces, unit price - 64¢ a pound. Competing product priced at 32¢ a 16 ounces, unit price 32¢ per pound.</p>
<p>LAWS REGARDING PRICING</p> <p>Federal, state, local laws apply to pricing. Federal laws concerned with preventing deceptive pricing, and prices that would kill competition. State laws specify prices below which retailer may not sell product. Local laws reinforce/strengthen state or federal laws.</p> <p><u>Fair-Trade laws</u>  In about 2/3 of the states. Permit manufacturer to set exact retail price for product or specify minimum price below which retailer cannot resell product.  Nonsigners clause: when one retailer in state signs fair-trade contract, every other retailer is bound by contract.</p>	<p>Handwritten scribbles and a large, dark, illegible mark.</p> <p>Retailers can only sell below set price if holding distress sale or discontinuing product.</p>

Topical Outline	Suggestions for Instructor
<p data-bbox="109 268 677 466"><u>Unfair-sales practices laws</u> In remaining 1/3 of the states. Laws that set limits below which retailers may not price their mer- chandise. Supposedly mandatory and applies to all retailers.</p>	

Name \_\_\_\_\_

You plan to open a small shop that will sell records and tapes. How can you successfully compete with a discount store whose prices are lower?

Name \_\_\_\_\_

CROSSWORD PUZZLE CLUES

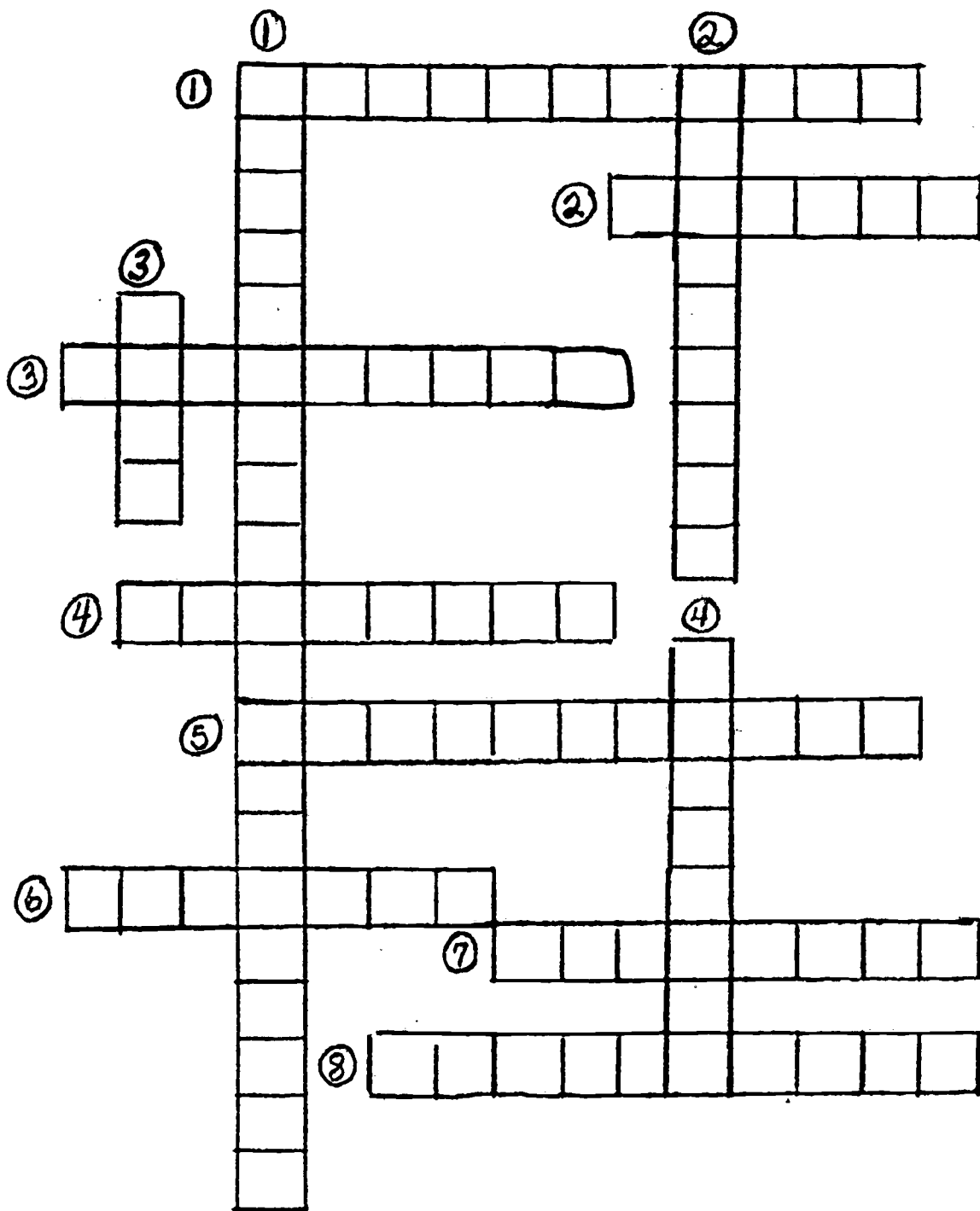
ACROSS

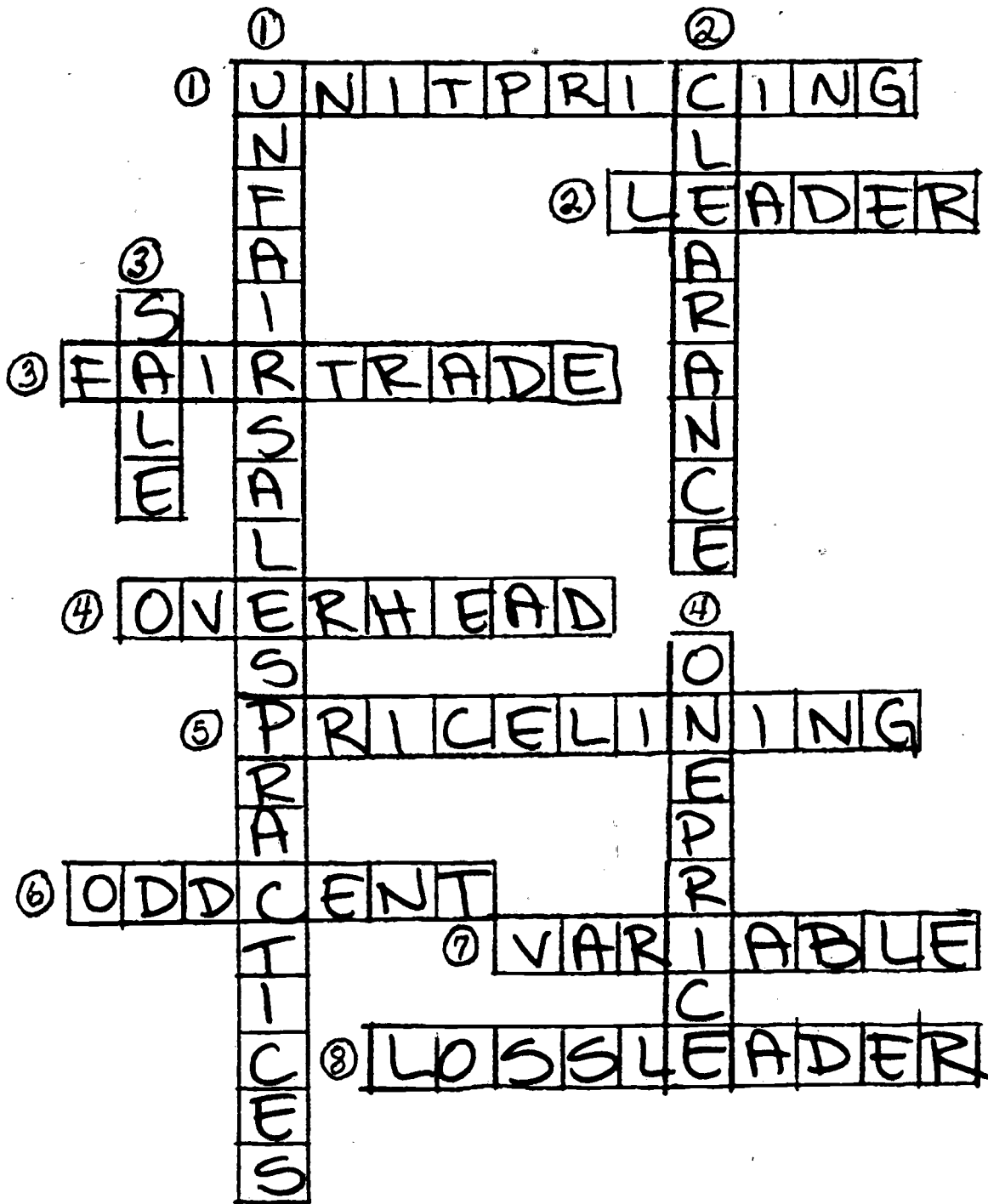
1. Pricing an item by standard measure (2 words)
2. Items priced just above delivered cost price.
3. State law which permits manufacturer to set exact retail price for a product. \_\_\_\_\_ law
4. Expenses of operating store that do not vary with number or value of specific item being sold.
5. Prices at which like assortments of goods are offered to customers. \_\_\_\_\_ Policy
6. Pricing policy that is said to have psychological effect. \_\_\_\_\_ Policy
7. Pricing policy where price is determined by bargaining between customers. \_\_\_\_\_ Policy
8. Items sold for less than cost. (2 words)

DOWN

1. State law which sets limits below which retailers may not price their merchandise \_\_\_\_\_ Law
2. Type of price reduction that is used to remove leftover items. These items are not returned to former prices.
3. Type of price reduction that offers goods at lower prices than normally charged.
4. Pricing policy where goods are sold to all customers at the same price. \_\_\_\_\_ Policy

Name \_\_\_\_\_









LESSON  
28

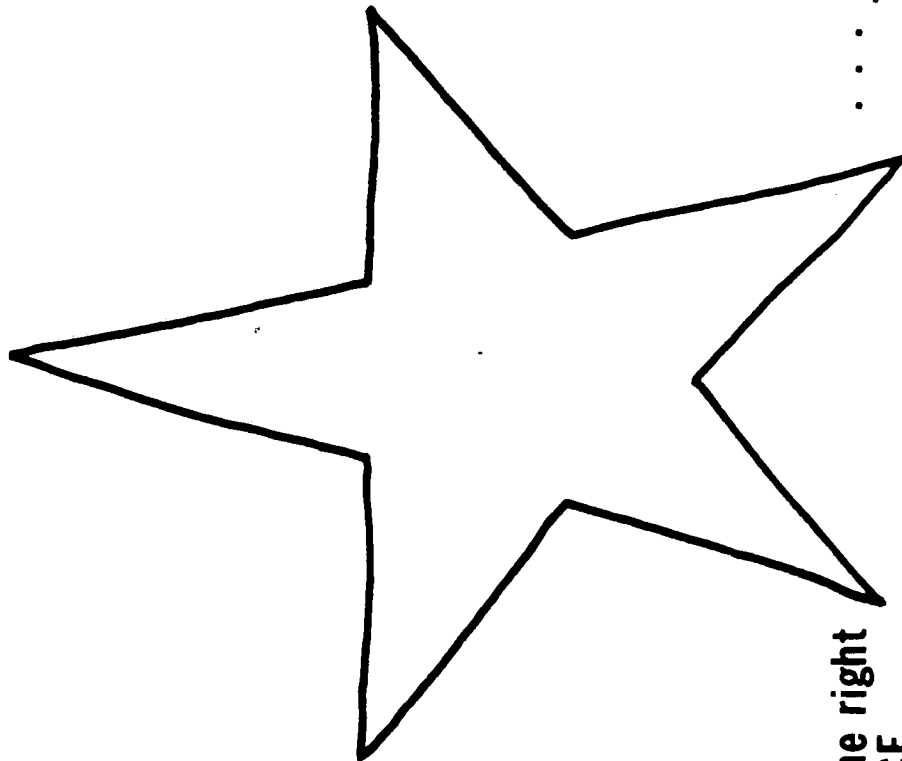
BUYING MERCHANDISE: SOURCES

Topical Outline	Suggestions for Instructor
<p><b>BUYING MERCHANDISE</b></p> <p>Merchandise resources are sources of supply a buyer uses. Choose resources that will supply quality, style of goods needed, offer best terms, provide most dependable service.</p> <p>Resource files: keep records of experiences with merchandise resources.</p>	<p>Overhead 28-A</p> <p><u>Question to class:</u> Who does the buying of merchandise in various types of stores?</p> <p>Overhead 28-B</p>
<p><b>WHERE TO BUY--SOURCES OF SUPPLY</b></p> <ol style="list-style-type: none"> <li>1. <u>Central markets</u> Go to central markets to inspect goods of manufacturers in one place.</li> <li>2. <u>Trade Shows</u> Organized by industry or trade association. Held periodically.</li> <li>3. <u>Foreign market</u> Know import regulations.</li> <li>4. <u>Traveling salesmen</u> Carry samples representing both wholesalers and manufacturers.</li> <li>5. <u>Wholesalers</u> Buy large quantities of goods from manufacturers, stores goods in warehouses, sells to retailers in desired quantities. Retailer can purchase large number of different items at one time. Rack Jobber: kind of wholesaler's salesman specializing in coming to store, supplying goods sold in self-service. fixtures: a warehouse on wheels.</li> <li>6. <u>Buying offices</u> Organization located in central market. Provides market information and representation to client stores. Serve as link between stores and manufacturers. Offer merchandising, promotional, management services which smaller stores could not provide themselves. <ol style="list-style-type: none"> <li>A. Independent buying office working on fixed fees paid by its usually noncompetitive client stores.</li> </ol> </li> </ol>	<p>Ex: <u>Furniture:</u> Grand Rapids, Chicago, Jamestown N.Y., High Point, North Carolina <u>Apparel:</u> New York, Los Angeles, San Francisco, Dallas</p>

Topical Outline	Suggestions for Instructor
<p>B. Independent buying office working on commissions paid by manufacturer or vendor.</p>	
<p>SELECTING THE RESOURCE</p>	<p>Overhead 28-C</p>
<p>Calls for comparison and appraisal of prospective vendors on several accounts:</p>	
<p>1. <u>Merchandise suitability</u> Keeping with wants and needs of customers.</p>	
<p>2. <u>Prices and terms</u> Quoted list prices, deductible trade, quantity and cash discounts, transportation terms, difference in credit terms.</p>	
<p>3. <u>Delivery dates</u> Length of time required for delivery.</p>	
<p>4. <u>Vendor's distribution policy</u> If vendor offers exclusive representation or only selects limited number of outlets, he is preferred resource.</p>	
<p>5. <u>Promotional assistance</u> Sources that furnish advertising, display material or make available advertising allowances are preferred.</p>	
<p>6. <u>Reliability</u> Check reputation concerning conforming with promised delivery dates, handling complaints fairly, promptly, etc.</p>	
<p>WHAT MAKES A GOOD BUYER?</p>	<p>Overheads 28-D through 28-G</p>

# THE BASIC BUYING FUNCTION

To Get the  
Right PRODUCT . . . .



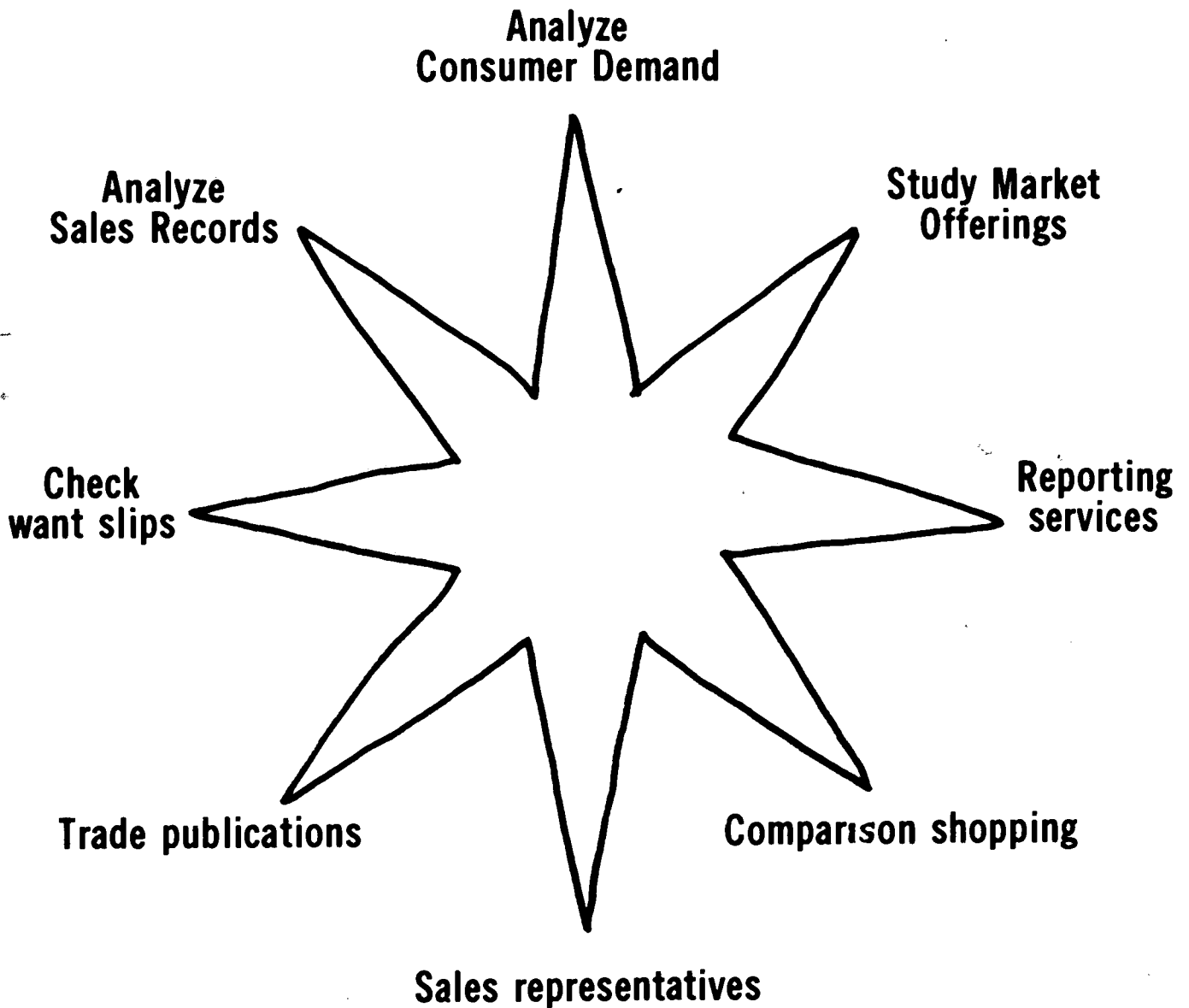
. . . . In the right  
QUANTITY

. . . . In the right  
TIME

. . . . To the right  
PLACE

. . . . At the right  
PRICE

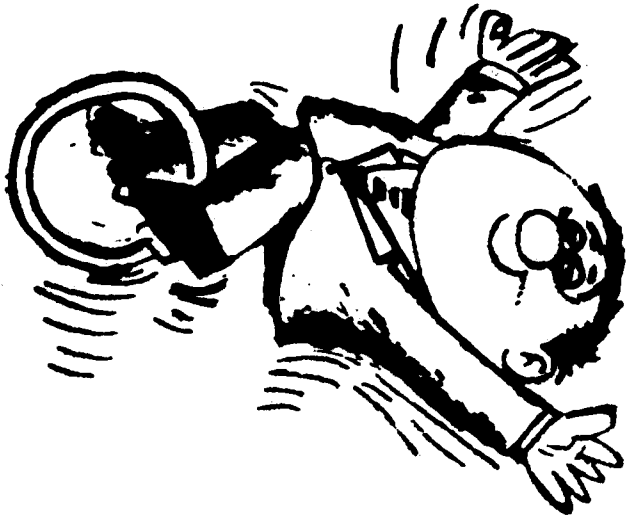
## Sources of Buying Information



# FACTORS TO CONSIDER IN SELECTING A SUPPLIER

- Suitability of supplier's line to the store's customers.
- Completeness of line
- A continuous supply
- Favorable prices
- Credit accommodations
- Speed and dependability of delivery
- Dealer aids and services
- Vendor's pricing and brand policy
- Fairness in dealing with complaints

# QUALIFICATIONS OF A BUYER



**THE BUYER MUST:**

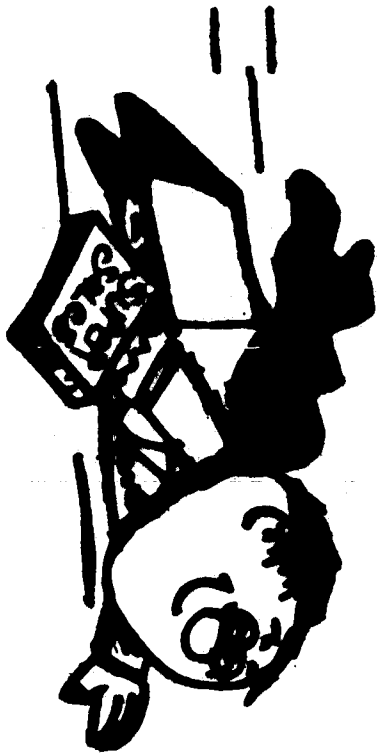
- 1. BE A MERCHANDISE SPECIALIST**



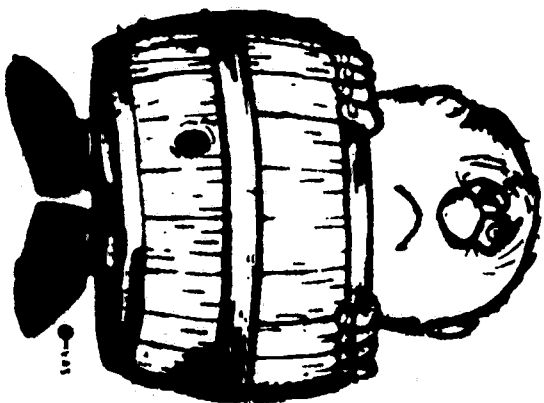


**3. BE SALES MINDED**

**2. BE PROFIT MINDED**

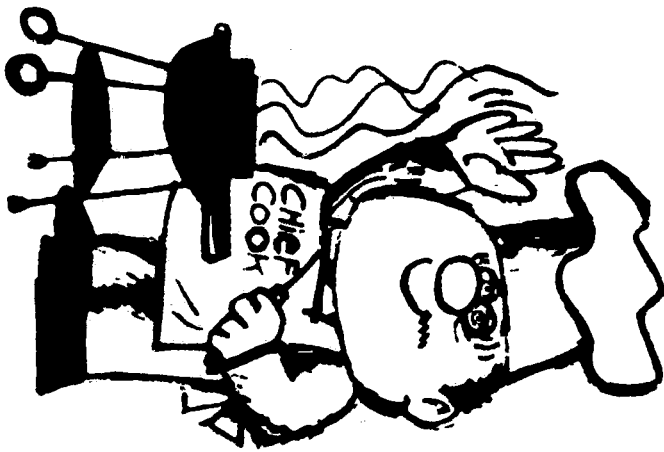


#### 4. KNOW MERCHANDISE SOURCES



#### 5. BE A "TRADER"

**6. HAVE A "SIXTH SENSE" ABOUT CONSUMER TASTES**



Name \_\_\_\_\_

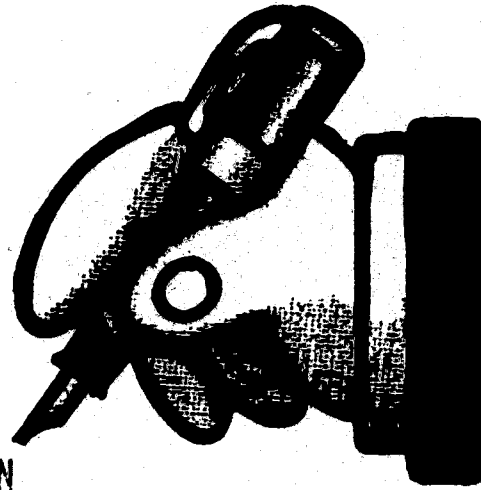
Design a merchandise order form that could be used in a clothing store.

Name \_\_\_\_\_

As the owner of a small furniture store, you attend manufacturers' trade shows and go to the central markets to select merchandise for your store.

Your customers have commented that your store features items and styles not found in other stores in the area.

You would like to cut down on the number of buying trips that you have to make, but do not want to lose the image of exclusiveness that the store has. Discuss other options that are open to you. What is your choice or combination of choices? Give reasons for your decision.



LESSON  
29

BUYING MERCHANDISE: BUYING TERMS

Topical Outline	Suggestions for Instructor
<p><b>TERMS OF THE SALE</b></p> <p>Trading process involves number of considerations that can provide savings for store.</p> <p><b>DELIVERY</b></p> <p>Means of shipment dictates speed of delivery and cost. Seller and buyer bargain over FOB point.            FOB point determines:</p> <ol style="list-style-type: none"> <li>1. Point from which buyer pays transportation.</li> <li>2. When title passes to buyer.</li> </ol> <p><u>FOB shipping point</u>            Seller has title, responsibility for goods until delivered to carrier.</p> <p><u>FOB city of destination</u>            Seller pays transportation to buyer's city. When goods arrive in city, title passes to buyer, who pays delivery charges from freight station to store.</p> <p><u>FOB store</u>            Seller pays all transportation charges. Title passes when shipment arrives at buyer's store. This delivery term saves the store the most money.</p> <p><b>DISCOUNTS</b></p> <p>Immediate availability of cash and quick movement of goods from storage areas make cash discount worthwhile to supplier.</p> <ol style="list-style-type: none"> <li>1. <u>Cash discount</u>            Amount seller allows buyer to deduct from bill if paid within certain time. Benefit both vendor and buyer. Vendor has money immediately available, retailer saves money on purchase.</li> <li>2. <u>Seasonal discount</u>            Reduction given to those who buy before usual selling season. Manufacturers can keep employees working throughout "slow" periods. Cuts sellers need for storage space, lessens insurance costs, gives cash to work with.</li> </ol>	<p>Definition: FOB - free on board.</p> <p>Definition: Title - legal ownership of goods.</p> <p>Ex: 2/10 - buyer deducts 2% of bill if he pays within 10 days after receipt of bill.</p> <p>Ex: 20% discount on Christmas trimmings if purchased during August.</p>



Topical Outline	Suggestions for Instructor
<p>3. <u>Trade/Functional discount</u> Given buyers who perform certain functions in distribution process.</p>	<p>Ex: Manufacturer may give wholesaler discount because he buys in large quantities, provides storage space.</p>
<p>4. <u>Quantity discount</u> Reduction in price given to retailer who buys in large quantities.</p>	<p>Ex: Retailer purchases gross of an item instead of 6 dozen, might receive discount of 5% per dozen.</p>
<p>DATING</p>	
<p>Length of time for which seller extends credit to buyers. Dating depends on 3 factors:</p>	
<p>A. Time it takes retailer to sell article B. Length of selling season C. Competitive conditions</p>	<p>Ex: Long-established manufacturer may offer different terms from those trying to enter market.</p>
<p>1. <u>Ordinary dating</u> Credit period based on date appearing on bill or invoice. Usually date on invoice is date of shipment.</p>	<p>Ex: Invoice dated August 15 with terms 2/10, net 30, may take 2% cash discount if he pays bill by August 25. Full payment is due September 14.</p>
<p>2. <u>Advanced dating</u> Credit period based on date later than date of invoice. Offered by suppliers who wish to encourage early buying.</p>	<p>Ex: Vendor may state terms 2/10 as of July 5 on invoice dated May 1. Credit period extends from July 5 rather than date of invoice.</p>
<p>3. <u>Extra dating</u> Allows buyer extra number of days before credit term begins.</p>	<p>Ex: 2/10, 60 extra. Allowed 60 extra days before ordinary dating of 2/10, net 30 begins. Gives 70 days from invoice to take advantage of 2% cash discount.</p>
<p>4. <u>EOM dating</u> End of month dating. Credit begins at end of month in which invoice is dated, instead of exact date of invoice. Invoices dated after 25th of month are usually considered as belonging to following month.</p>	<p>Ex: Invoiced on May 25 with terms of 2/10 EOM, discount of 2% could be taken through July 10.</p>
<p>5. <u>ROG dating</u> Receipt of goods. Credit terms apply from date goods received by buyer. Preferred by buyers located at distance from suppliers.</p>	
<p>6. <u>Anticipation dating</u> Retailers who pay invoice before date on which cash discount may be taken are often allowed extra deduction.</p>	

Topical Outline	Suggestions for Instructor
<p>INVENTORY INVESTMENT</p> <p><u>Memorandum buying</u> Vendor sells goods to buyer on condition that buyer may return any unsold goods. Title of goods passes to buyer. He does not suffer loss on items not sold. Must pay for goods when billed, gets money back for goods he returns.</p> <p><u>Consignment sales</u> Goods remain property of seller. Merchant does not have to pay for goods until he sells them. He assumes responsibility for safeguarding. Vendor is buying selling space for goods he owns.</p>	<p>Ex: May 1 "on memorandum until June 15". Any unsold goods may be returned by June 15.</p>

Name \_\_\_\_\_

### CROSSWORD PUZZLE CLUES

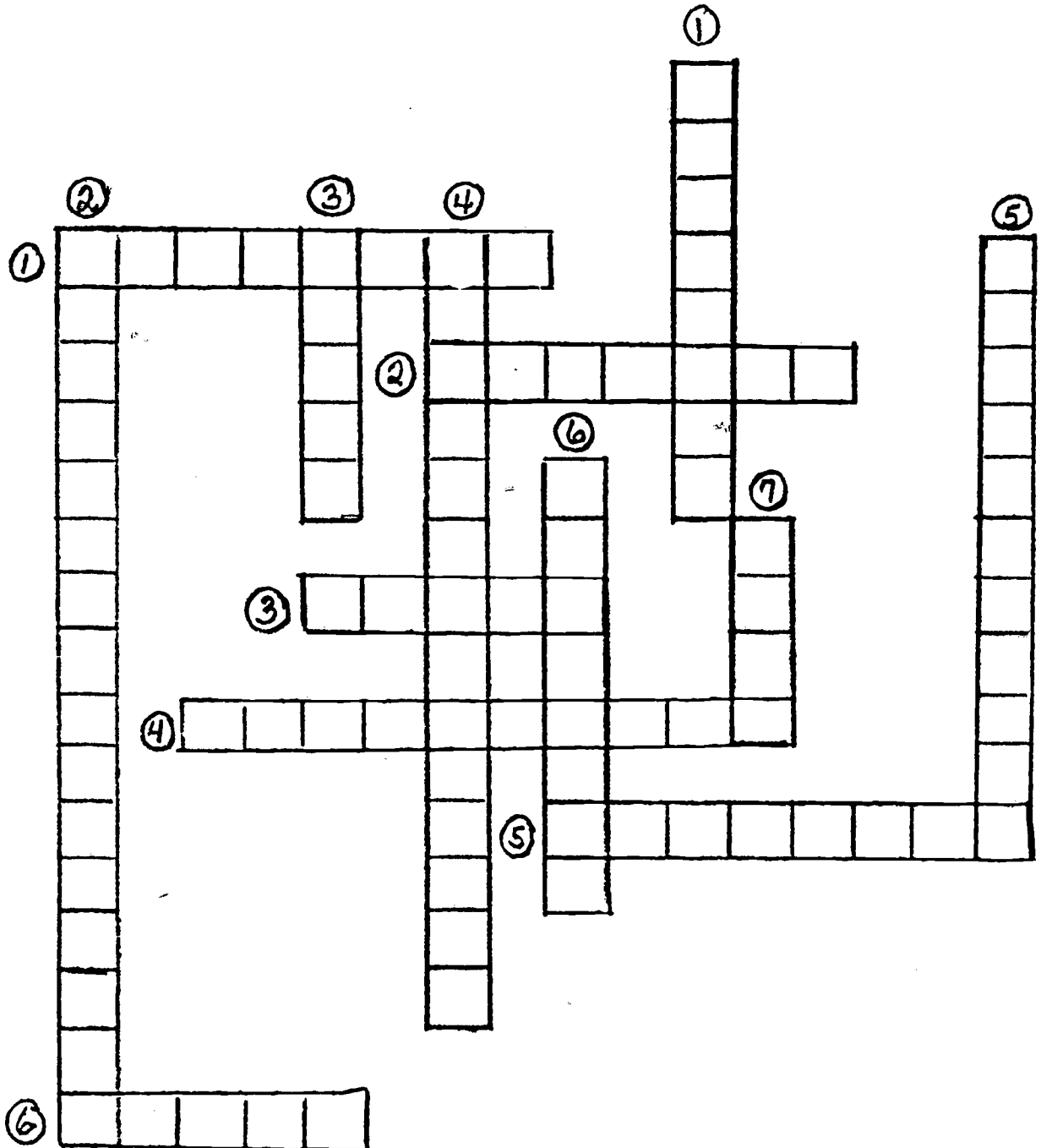
#### ACROSS

1. Seller pays all transportation charges. Title passes when shipment arrives at buyer's store.
2. Transporting firm.
3. Allows buyer extra number of days before credit term begins. \_\_\_\_\_ dating
4. E.O.M.
5. Credit period based on date later than date of invoice. \_\_\_\_\_ dating
6. Legal ownership of goods.

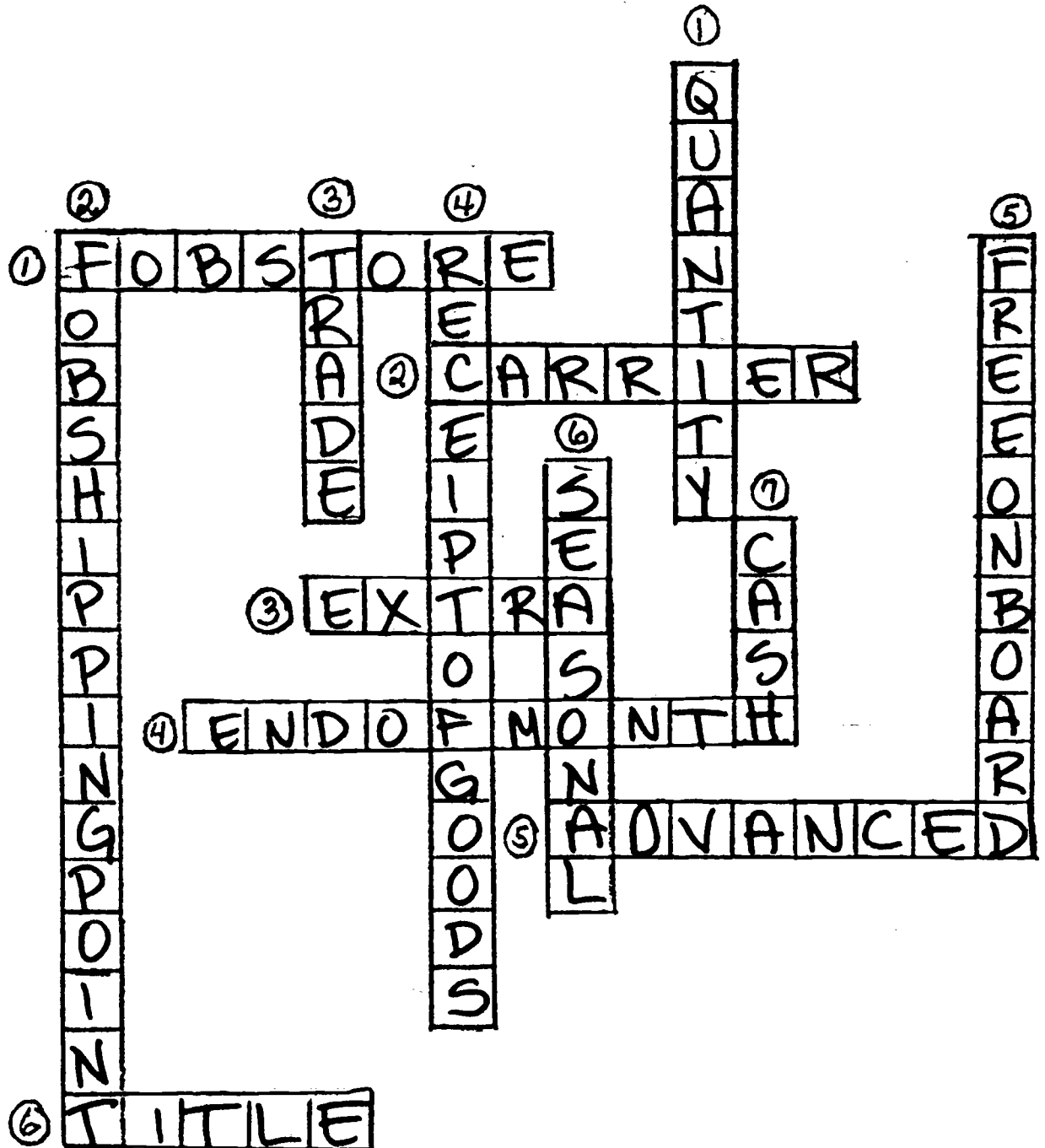
#### DOWN

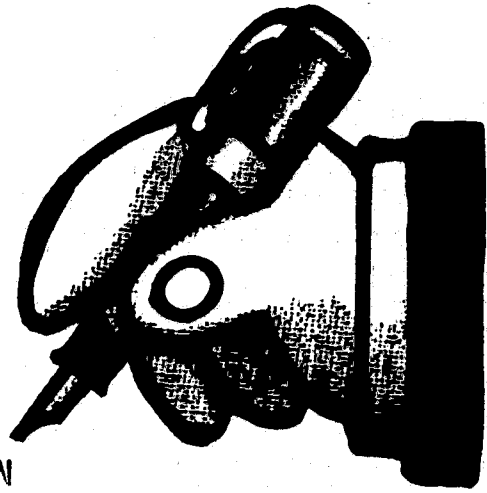
1. Reduction in price given retailer who buys large number of items. \_\_\_\_\_ discount
2. Seller has title, responsibility for goods until delivered to carrier.
3. Given buyers who perform certain functions in distributive process. \_\_\_\_\_ discount
4. R.O.G.
5. F.O.B.
6. Reduction given to those who buy before usual selling season. \_\_\_\_\_ discount
7. Amount seller allows buyer to deduct from bill if paid within certain time.  
\_\_\_\_\_ discount

Name \_\_\_\_\_



CROSSWORD PUZZLE KEY





LESSON

30

STOCK CONTROL

Topical Outline	Suggestions for Instructor
<p>STOCK CONTROL</p>	<p>Question to class: Why must a store owner keep track of items he has in stock?</p>
<p>From time of receipt of goods until final sale, goods are "in stock." Method of keeping track of items must be planned.</p>	
<p>STORING GOODS</p>	
<p>Have storage space located so needed goods may be obtained quickly, easily. Retail stores frequently have storage space in rear or basement of building, utilizing space undesirable for selling. Reserve stock stored near selling space to provide prompt service. Type of storeroom and equipment needed varies a great deal with each business.</p>	
<p>METHODS OF CONTROLLING STOCK</p>	
<p>Store has system so it knows which items selling best, rate of stock turnover, when goods should be reordered, number of goods to reorder.</p>	
<ol style="list-style-type: none"> <li>1. <u>High and low limits</u> Low limit determined by time required to have more goods delivered, made ready for sale. High point serves as check against buying too large a quantity.</li> <li>2. <u>Individual items ticketed</u> Tickets removed when goods are sold. Given to buyer as guide in making purchases.</li> <li>3. <u>Stock cards</u> Used as basis of inventory record. Individual cards kept for all items. Works same as individual ticketed items. Too much book work for store selling large variety of small items.</li> <li>4. <u>Observation or inspection</u> Small store managers rely on constant observation.</li> <li>5. <u>Physical inventory</u> Personal count of every item in stock. Made only once or twice a year.</li> </ol>	<p>Ex: Place strip of tape around group of items considered low limit quantity. When clerk confronted with taped group, tears off tape and removes stocker containing information on articles to give to person who does buying.</p>



Topical Outline	Suggestions for Instructor
<p>TAKING AN INVENTORY</p> <ol style="list-style-type: none"> <li>1. <u>Cost method</u> Values of items computed at prices paid for articles. Necessary that cost price of each item be known.</li> <li>2. <u>Retail method</u> Listing of all items on hand. Determine value on retail prices marked on them. Value of goods secured by method that cannot be used on balance sheet, because on this statement assets listed at cost.</li> <li>3. <u>Perpetual inventory</u> Provides records of goods on hand at any time without necessity of making physical account. Card record is kept for each item. Whenever purchase of item is made and goods received, entry recorded on card. Whenever item withdrawn from stock, it is recorded on card. Balance of items in stock is always shown.</li> </ol>	

Name \_\_\_\_\_

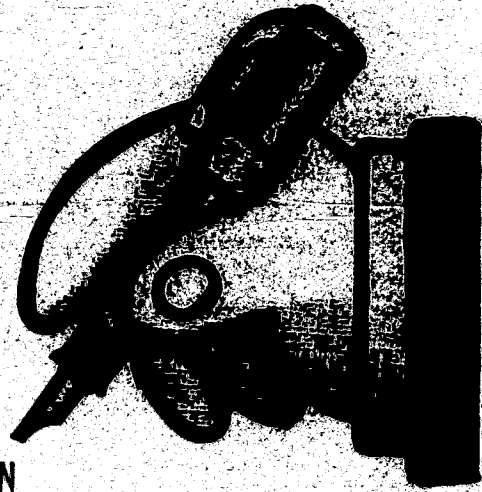
As owner-manager of a small business selling cleaning supplies to local industries, you relied on constant observation to keep track of items in stock.

As the business continues to grow, you feel that you should have some method of stock control.

Select a system or combination of systems that would be best for your business that carries many small items. Describe how the system would work.

Name \_\_\_\_\_

Even when a large department store keeps a perpetual inventory, why is it necessary to have a physical inventory taken at least once a year?



LESSON

31

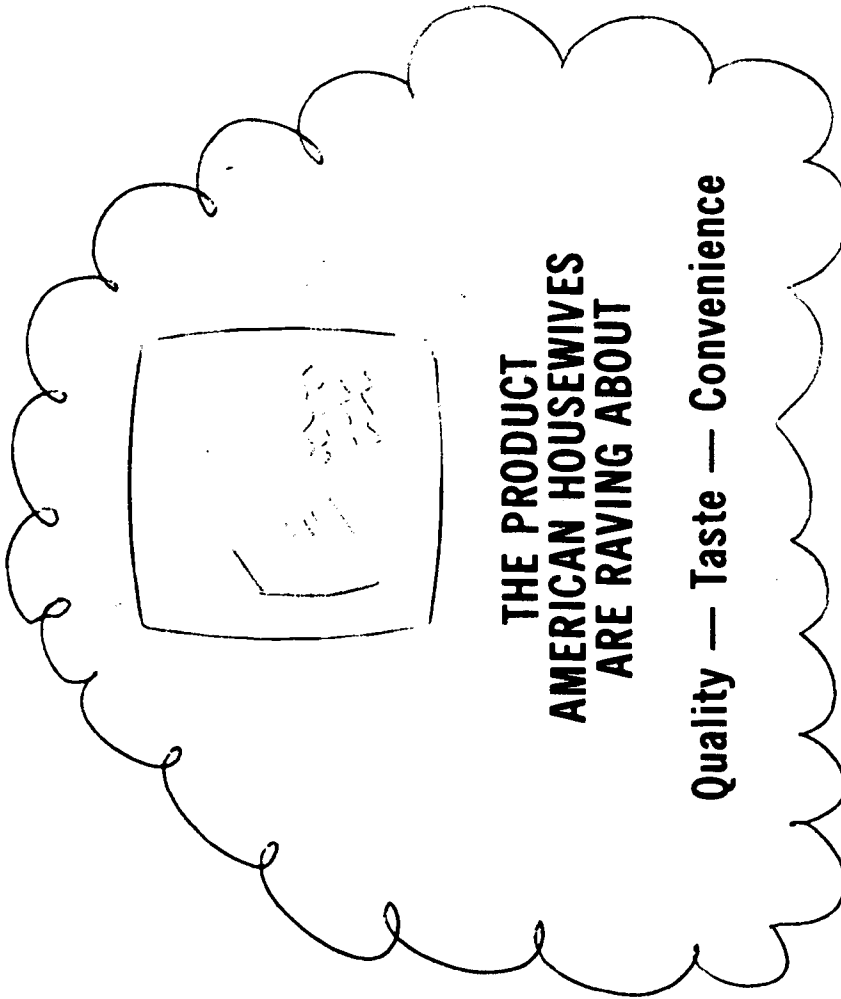
STORE PROMOTION: ADVERTISING

Topical Outline	Suggestions for Instructor
<p>STORE PROMOTION: ADVERTISING</p> <p>Sales promotion - all activities, devices designed to sell merchandise, create good will, directly or indirectly.</p>	
<p>PURPOSES OF RETAIL ADVERTISING</p> <p>Concerned with building sales, good will for store. Usually designed to produce immediate action.</p>	<p><u>Question to class:</u> Why does a business advertise?</p> <p><u>Question to class:</u> Does advertising create customer demand or simply focus existing demand on specific goods?</p>
<p>TYPES OF RETAIL ADVERTISING</p> <ol style="list-style-type: none"> <li>1. <u>Promotional advertising</u> Features products, services at listed prices for purpose of creating immediate store traffic.</li> <li>2. <u>Institutional advertising</u> Identification and promotion of store as an institution. May take various forms. Conveys image of advertiser.</li> <li>3. <u>Teaser advertising</u> Purpose is stimulation of curiosity or interest about future event.</li> <li>4. <u>Horizontal cooperative advertising</u> When group of retailers cooperates in joint advertising effort.</li> <li>5. <u>Vertical cooperative advertising</u> National advertiser pays for whole or part of advertisements of product sponsored by retailer.</li> </ol> <p><u>Advantages</u> Generates more promotional force. Ads of professional caliber. Reduces advertising costs of store. Stretch advertising budget.</p> <p><u>Disadvantages</u> Store identification may be confined. Lack of community flavor, personal character of individual store.</p>	<p><u>Question to class:</u> Should all stores engage in some kind of institutional advertising?</p> <p>Ex: Build messages around store's history, growth, present status, future plans, variety of services, completeness of assortment, store modernization plans, addition of new department, store policy changes, special events, etc.</p> <p>Overhead 31-A</p>

224

Topical Outline	Suggestions for Instructor
<p>LIMITATIONS TO ADVERTISING</p> <p>There are things which advertising cannot do or cannot accomplish at reasonable cost.</p> <ol style="list-style-type: none"> <li>1. Can't sell goods customers don't want or can't afford.</li> <li>2. Can't compensate for poor store location, unattractive shopping atmosphere, indifferent store personnel.</li> <li>3. Not productive unless coincides with peak timing for items of seasonal demand.</li> <li>4. Timid, sporadic advertising effort often accomplishes nothing. Repeated impressions are essential because of forgetfulness of human nature.</li> </ol>	<p>Overhead 31-B</p>

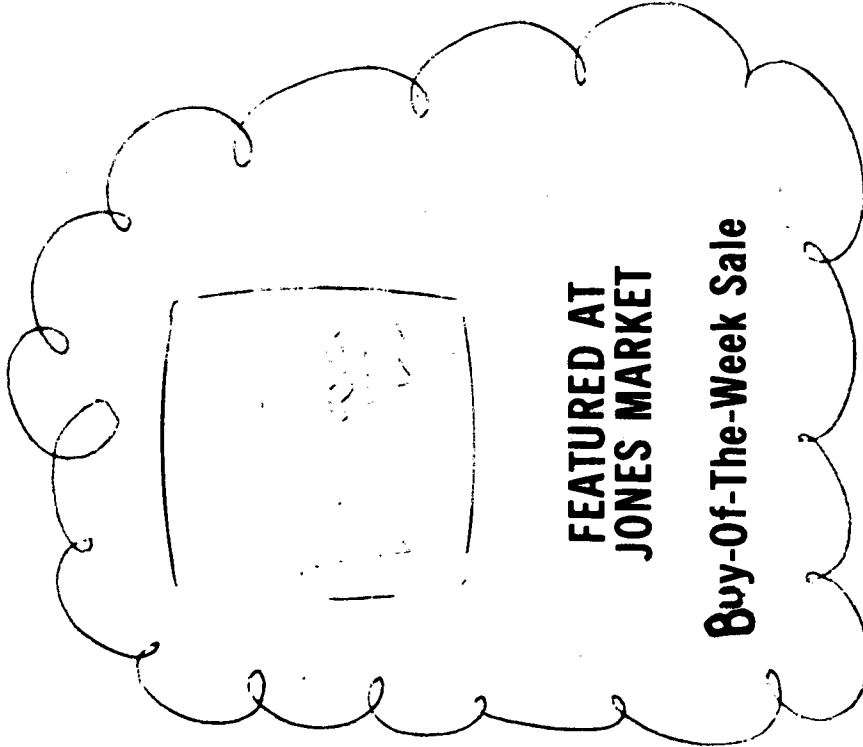
# “WE’VE GOT IT!”



**THE PRODUCT  
AMERICAN HOUSEWIVES  
ARE RAVING ABOUT**

**Quality — Taste — Convenience**

**NATIONAL**



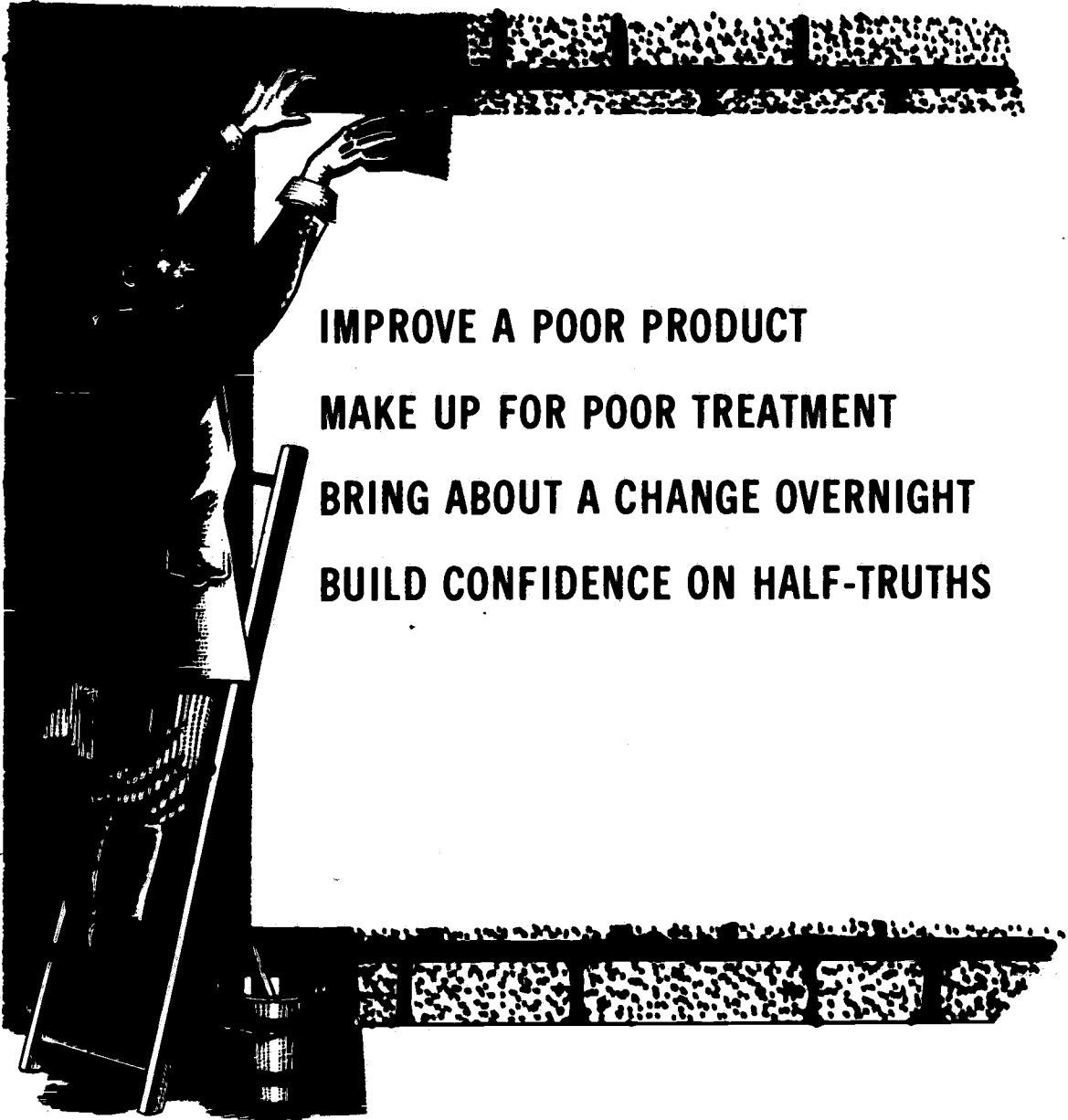
**FEATURED AT  
JONES MARKET**

**Buy-Of-The-Week Sale**

**LOCAL**



# ADVERTISING CAN'T

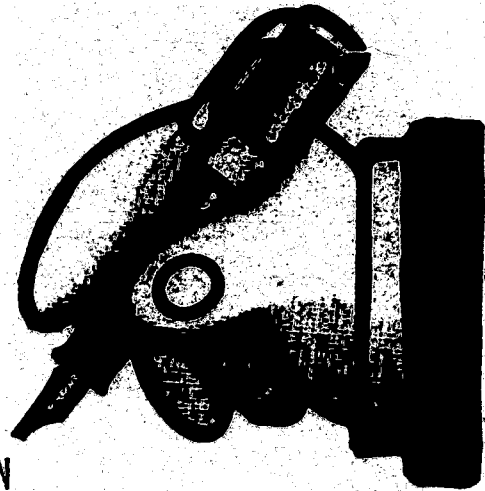


**IMPROVE A POOR PRODUCT  
MAKE UP FOR POOR TREATMENT  
BRING ABOUT A CHANGE OVERNIGHT  
BUILD CONFIDENCE ON HALF-TRUTHS**

Name \_\_\_\_\_

Cut out 5 advertisements from the local newspaper that illustrates the types of retail advertising. Label each and attach them to the back of this paper.

- A. Promotional Advertising
- B. Institutional Advertising
- C. Teaser Advertising
- D. Horizontal Cooperative Advertising
- E. Vertical Cooperative Advertising



LESSON  
32

STORE PROMOTION: ADVERTISING MEDIA

Topical Outline	Suggestions for Instructor
<p>Each medium offers certain advantages, also poses particular problems, depending upon situation of store making use of it.</p> <ol style="list-style-type: none"> <li>1. <u>Newspapers</u> Local newspapers provide broad coverage of market. Cost per reader of reaching market with message is low. Medium is invited into home on paid basis. Good opportunity for use of illustration. Advertising department of newspapers provide assistance in planning advertising programs. Speed and flexibility of use. Rapid check on results.</li> <li>2. <u>Radio</u> Effective supplementary force. Relatively inexpensive, Prompt means of reaching large numbers of people. Message received whether listener is at work or leisure. Flexibility allows for last minute changes. <u>Disadvantages:</u> Cannot be called back or reexamined. Difficult to measure size, nature of listening audience. Must be used consistently for longer period of time than necessary with most media.</li> <li>3. <u>Television</u> Not widely used as retail medium. High cost. Heavy program expense. Many retailers use spot announcements rather than sponsoring local programs.</li> <li>4. <u>Direct Mail</u> <u>Circulation</u> concentrated on known, regular patrons. Message doesn't have to compete with other advertising, editorial matter. Approach, message can be more personal. Medium is flexible. Expensive medium in terms of cost per unit.</li> <li>5. <u>Store-distributed advertising</u> Handed out to shoppers visiting store or distributed door-to-door by messenger.</li> </ol>	<p><u>Question to class:</u> Why do retailers spend most of their advertising dollars in local newspapers?</p> <p>Ex: Letters, post cards, booklets, catalogs, statement inserts</p>

Topical Outline	Suggestions for Instructor
<p>Types of store-distributed advertising:</p> <p>A. Handbills: term for all promotion pieces of this kind.</p> <p>B. Circulars: passed out to shoppers in store or on street.</p> <p>C. Dodger: delivered house-to-house</p>	
<p>6. <u>Miscellaneous media</u></p> <p>Outdoor signs, posters: Quick reminders to keep store's name before the public.</p>	<p><u>Question to class:</u> Does it pay to use dodgers when so many housewives become irritated at having to clean them off porches, lawns and from under shrubbery?</p>
<p>Car-cards: Similar function. Used inside buses.</p>	
<p>Magazines: Limited utility for retail advertisers. Chain stores use them for institutional advertising.</p>	
<p>Advertising specialties: If not discarded rapidly, reminder and good-will value may warrant cost.</p>	<p>Ex: calendars, blotters, book matches, ash trays, etc.</p>
<p>Charity advertising: Failure to use this medium may incur ill will.</p>	<p>Ex: School yearbooks, newspapers, athletic programs.</p>
	<p><u>Question to class:</u> What types of businesses usually advertise in a school newspaper?</p>

Name \_\_\_\_\_

You are opening a new dry cleaning service on the east side of town. You have a very limited advertising budget. What media would you use to advertise to reach your prospective customers? Give reasons for your media selections.

Name \_\_\_\_\_

Find the following advertising media in this puzzle:

Newspapers  
Radio  
Television

Direct Mail  
Handbill  
Circulars

Dodger  
Outdoor signs  
Car cards

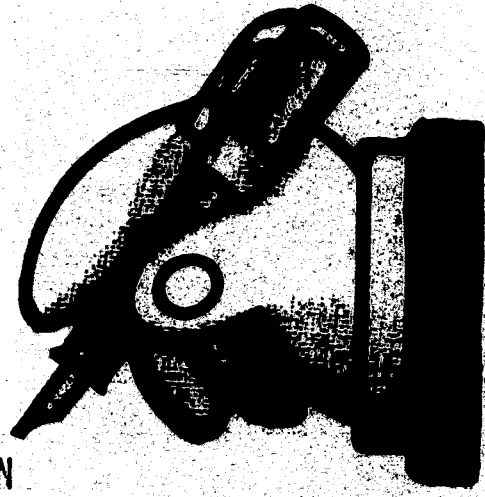
Magazines  
Specialties  
Charity Advertising

G S A R S I G N F I N D T A E W  
K E O R D S N E W S P A P E R S  
E I H I D C I R C U L A R S A D  
B T E N I N S T H I S P U C D Z  
T L L E A N I D Y O U W I L I L  
H A B E A N T E L E V I S I O N  
G I E X O C R E L L E N T S C H  
R C O L U A E R M I X T X A M S  
D E V R T E V O F T O B A C X D  
I P S I D O D G E R X T E L E O  
R S N C O A A N D L E S L F O C  
E U R T O E Y E N L I I T T L A  
C E C H R I T L D R B E N T R R  
T I E D S T I O S D E L E C T C  
M N U M I B R E N R S A N D F A  
A O U N G D A A T H A T T H E R  
I Y W E N R H E W H I S K E D D  
L T O T S S C M A G A Z I N E S



Answer to Puzzle

G	S	A	R	S	I	G	N	F	I	N	D	T	A	E	W
K	E	O	R	D	S	N	E	W	S	P	A	P	E	R	S
E	I	H	I	D	C	I	R	C	U	L	A	R	S	A	D
B	T	E	N	I	N	S	T	H	I	S	P	U	C	D	Z
T	L	L	E	A	N	I	D	Y	O	U	W	I	L	I	L
H	A	B	E	A	N	T	E	L	E	V	I	S	I	O	N
G	I	E	X	O	C	R	E	L	L	E	N	T	S	C	H
R	C	O	L	U	A	E	R	M	I	X	T	X	A	M	S
D	E	V	R	T	E	V	O	F	T	O	B	A	C	X	D
I	P	S	I	D	O	D	G	E	R	X	T	E	L	E	O
R	S	N	C	O	A	A	N	D	L	E	S	L	F	O	C
E	U	R	T	O	E	Y	E	N	L	I	T	T	L	A	
C	E	C	H	R	I	T	L	D	R	B	E	N	T	R	R
T	I	E	D	S	T	I	O	S	D	E	L	E	C	T	C
M	N	U	M	I	B	R	E	N	R	S	A	N	D	F	A
A	O	U	N	G	D	A	A	T	H	A	T	T	H	E	R
I	Y	W	E	N	R	H	E	W	H	I	S	K	E	D	D
L	T	O	T	S	S	C	M	A	G	A	Z	I	N	E	S



LESSON  
33

STORE PROMOTION: DISPLAY

Topical Outline	Suggestions for Instructor
<p>STORE PROMOTION:DISPLAY</p> <p>One of the most powerful promotion forces at retailer's disposal.</p> <p>CHARACTERISTICS OF GOOD DISPLAY</p> <ol style="list-style-type: none"> <li>1. <u>It is distinctive, dramatic.</u></li> <li>2. <u>It is pleasing, appropriate.</u> All elements must be in agreement. Must be suitable to store image.</li> <li>3. <u>It must be simple.</u> Message must be quickly received, understood.</li> <li>4. <u>Generally has dominant theme.</u> Attention, interest enhanced when central theme used.</li> <li>5. <u>Emphasizes merchandise in use.</u></li> <li>6. <u>Clean, neat in appearance.</u> Nothing distracts as dirty windows, dusty floors and backgrounds, soiled merchandise, shabby-looking props and fixtures.</li> </ol>	<p>Showmanship is like icing on cake; it doesn't make cake any better, but it gets people to eat it.</p> <p>Ex: Toy electric train standing idle on track not as effective as one moving along track.</p>
<p>WINDOW DISPLAY</p> <p>Functions of window display:</p> <ol style="list-style-type: none"> <li>A. Arouse interest in, sell featured merchandise.</li> <li>B. Stimulate store traffic.</li> <li>C. Reflect store image.</li> </ol> <p><u>Changes of window display</u> More pressing in neighborhood stores. Certain items cannot be left in windows for long periods. Firms handling high-fashion goods alter displays often.</p> <p><u>Current Trends</u> New stores planned with minimal emphasis on window display. Visual front makes entire store institutional type of display.</p> <p><u>Use of price tags, identification</u> Store that is strongly promotional generally show prices.</p>	<p><u>Question to class:</u> How often should a display be changed?</p> <p>Ex: discount stores</p>

Topical Outline	Suggestions for Instructor
<p>Firms placing emphasis on exclusiveness, merchandise quality, personalized service refrain from showing price. Windows more effective through use of cards, signs. Helpful, interesting information on items should be placed on cards.</p>	<p>Ex: Specialty shops</p>
<p><b>INTERIOR DISPLAY</b></p> <p>All forms of merchandise exhibition, all promotional signs and decorations inside store. Effectiveness more direct, measurable since displays located at purchase points. A sales promotion power very important in self-service stores. Serve as silent salesmen.</p>	

Name \_\_\_\_\_

You manage the teen boutique for a department store. The display manager is putting in a window for your department. He asks you to select some merchandise to place in the display.

You have 3 items you are considering:

Item 1: Fastest selling item in the boutique. It is the current fad that everyone is wearing.

Item 2: Average selling item, but the markup is large, so you make more profit than on item 1.

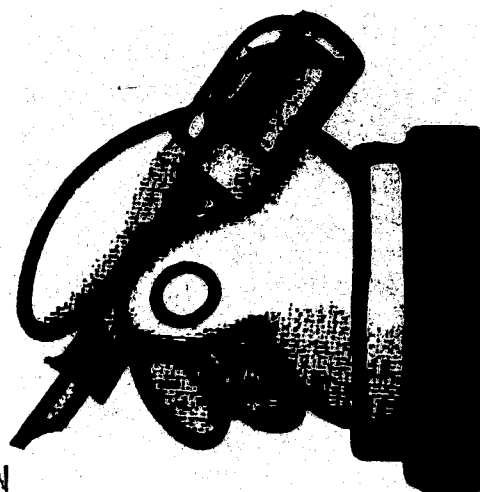
Item 3: Poor seller, but you know it could do better if it had more exposure.

WHICH WOULD YOU SELECT FOR THE DISPLAY? WHY?

Name \_\_\_\_\_

Sketch a window display that could be used by a department store in September.

- A. Choose a theme for the display. \_\_\_\_\_
- B. What merchandise items are to be placed in the display?
- C. What props and fixtures will be needed in the display?
- D. What floor covering would be used?
- E. What will be used for the background in the display?



LESSON  
34

STORE PROMOTION: SPECIAL SALES



Topical Outline	Suggestions for Instructor
<p><b>SPECIAL SALES EVENTS</b></p> <p>Use of special sales found in almost every line of retail business.</p> <p><b>NATURES AND PURPOSES</b></p> <p>Key appeal usually low price/special value. Length of sale periods vary. Involve dominant use of promotional advertising.</p> <p><u>Purposes</u></p> <ol style="list-style-type: none"> <li>A. Sale of regular merchandise temporarily marked down.</li> <li>B. Sale of especially purchased merchandise for event.</li> <li>C. Clearance of seasonal, slow-selling, broken assortment.</li> <li>D. Can move substantial volumes of goods quickly, profitably. Attracts new customers. Shoppers often purchase other goods as well as featured items.</li> </ol>	<p>Overhead 34-A</p> <p>Ex: January clearances, August fur sales, store anniversary sales, dollar day sales, 1¢ sales, white goods sales.</p>
<p><b>DECEPTIVE PRICE ADVERTISING OF SPECIAL SALE</b></p> <p>Special sale met by public skepticism due to emphasis on exaggerated price claims made by discounting, price-appeal stores.</p> <p><u>Prohibited pricing practices:</u></p> <ol style="list-style-type: none"> <li>A. Use of artificially high original markup.</li> <li>B. Statements that imply goods offered for sale at reductions unless statements true.</li> <li>C. Two articles for price of one, unless sale price is advertiser's usual price for single item.</li> <li>D. Offering factory or wholesale price unless statement is true.</li> <li>E. Offering 1/2 price or 1¢ sales unless presented saving is true based on usual price.</li> </ol>	<p><u>Question to class:</u> Why are many people skeptical of special sales?</p>

Topical Outline	Suggestions for Instructors
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**PROBLEMS AND LIMITATIONS OF SPECIAL SALES**

1. Can be used excessively, lose much of attention, interest-pulling power.
2. Encourages customers to postpone buying until sale time.
3. Creates influx of few permanent new customers.
4. Quality of customer service may suffer.
5. Problem of handling complaints, returns by customers who purchased goods prior to sale.

**MAY SALE**

**JANUARY**  
**Clearance**

**FOUNDER'S DAY SALE**

**Columbus Day Sale**

**OLD FASHIONED PENNY SALE**

**GRAND OPENING**

Special Sales

Name \_\_\_\_\_

List 3 types of special sales events that could be held in the following businesses. Tell approximately what month they would be held.

Example: Department Store: White good sale - January  
Back to School - August  
Store Anniversary Sale - Approximate Date

Discount Store:

Dry Cleaners:

Womens'/Mens' Specialty Shop:

Card and Gift Shop:

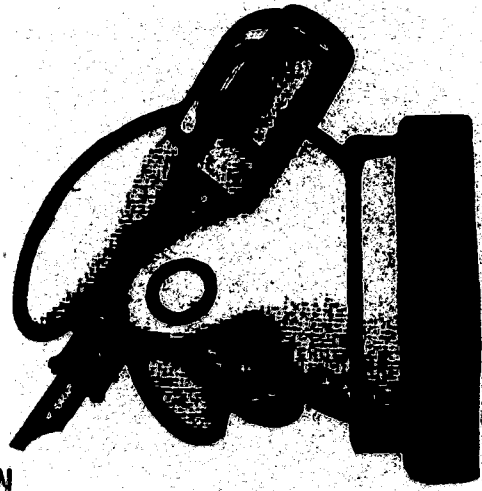
Drug Store:

Garden Supply Shop:

Service Station:

Fast-Food Restaurant:

Variety Store:



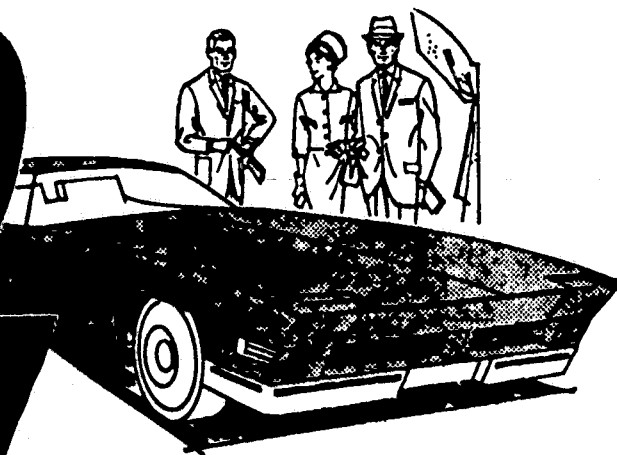
LESSON  
35

STORE PROMOTION: PUBLICITY ORIENTED PROMOTION

Topical Outline	Suggestions for Instructor
<p>PUBLICITY-ORIENTED PROMOTION</p> <p>Largely institutional in nature, have publicity value in/of themselves.</p>	<p>Overhead 35-A</p>
<p>EDUCATIONAL ACTIVITIES, SHOWS, EXHIBITS</p> <p>Store events of informative, entertaining nature used to generate good will and stimulate customer traffic. Increases store prestige. Wide variation in subject matter covered by these promotions.</p> <p>Fashion shows becoming increasingly popular. Should be carefully planned, dramatically presented, coordinated with related activities.</p> <p>Principal objective of educational promotion is creation of good will and store traffic, rather than stimulation of immediate sales.</p>	<p>Ex: Lectures, demonstrations, so-called schools, motion pictures, fashion shows, exhibits, food preparation, table setting, interior decoration, sewing, bridge, child care, education.</p> <p>Ex: Fashion show - salespeople in departments stocking featured items should be fully informed. Displays should be put in.</p>
<p>PRESS PUBLICITY</p> <p>Educational, special interest events offer outstanding opportunities for free publicity in newspapers. Such publicity keeps customers better informed about merchandise and institutional features, and attractions.</p>	



# AUTO SHOW



Publicity-  
Oriented Promotion

# Flower Show



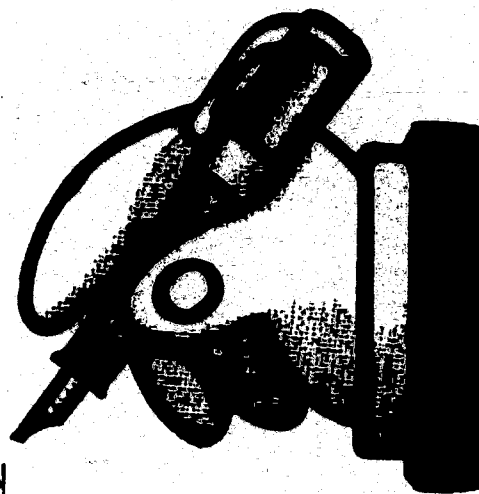


Name \_\_\_\_\_

You are a mall director for a new enclosed shopping complex with 65 stores. It is part of your job to come up with publicity-oriented promotions for the mall merchants.

Make a list of the promotions.

Examples: Home show, charity flea market, art exhibit, fashion show



LESSON  
36

STORE PROMOTION: PREMIUMS, INDUCEMENTS

Topical Outline	Suggestions for Instructor
<p><b>PREMIUMS, INDUCEMENTS</b></p> <p>Premium promotion where product or other benefit, not of seller's regular line, offered at discount or free when amounts or types of purchases made from regular line.</p>	
<p><b>SINGLE-TRANSACTION INDUCEMENTS</b></p> <p>Premium should be product of universal demand, not a necessity, obtainable in large wholesale lots. Offer must convey enticement of great value.</p>	<p>Ex: Free Christmas tree with purchase of major appliance, car washes at reduced price with oil change.</p>
<p><u>Coupons</u> Certificates with stated value in money or merchandise, presented by consumer for redemption by retailer. Coupons ordinarily originated by manufacturer. Manufacturer must reimburse retailer for value of coupon plus handling fee. Used to measure pulling power of an advertisement.</p>	<p>Overhead 36-A</p>
<p><b>CONTINUING INDUCEMENTS</b></p> <p><u>Trade cards</u> As purchases made, they are punched on special card issued to customer. When card used up, holder entitled to prize or purchase credit.</p>	
<p><u>Premiums</u> Items in sets, used to induce continuing patronage over period of time.</p>	<p>Ex: Supermarket offers encyclopedias, one volume each week.</p>
<p><u>Games/Contests</u> Consumer participates in hopes of winning cash, service, prizes.</p>	<p>Overhead 36-B Ex: Posting of license numbers. Prizes available for customers who visit stores, identify their number. Customer given form, upon moistening letters appear. Accumulate until spell designated word to win prizes.</p>
<p><u>Trading Stamps</u> Most widely used, most controversial type of continuing premium promotion. Use tends to increase during prosperity, curtailed during depressed business conditions. Used chiefly by convenience goods stores.</p>	<p>Ex: Food stores, service stations, drug stores, etc.</p>

Topical Outline	Suggestions for Instructor
<p data-bbox="95 231 616 273">EVALUATION OF PREMIUM PROMOTIONS</p> <p data-bbox="95 294 762 504">Promotions of this kind generally avoided by more conservative stores. Tend to become popular at rapid pace. Lose much of the initial interest as they become widespread. Often retained by store for competition.</p>	<p data-bbox="793 283 1424 367"><u>Question to class:</u> Do customers really want premium promotions?</p>

**ABSOLUTELY NOTHING  
TO BUY!**

**CASH SAVINGS**



**stamps, too**

**IT'S FUN AND PROFITABLE!**

**CLIP & SAVE**  
**VALUABLE COUPONS**  
**COUPON SAVINGS**  
**EXTRA SAVINGS**

# **FOOTBALL CONTEST**



**1st PRIZE      2nd PRIZE      3rd PRIZE**

**\$25**

**\$15**

**\$10**

**It's so easy. You don't have to be a football expert in order to win. Just select the winners on the handy official blank printed below. No scores. Just check the teams you think will win. Use our entry or pick up one at any participating sponsor.**

Name \_\_\_\_\_

As owner-manager of an independent neighborhood grocery store, you have been approached by a group of local merchants who plan to establish a trading stamp program in the community.

When a customer fills a book of stamps, they can turn it in to participating merchants and receive \$3 worth of goods free.

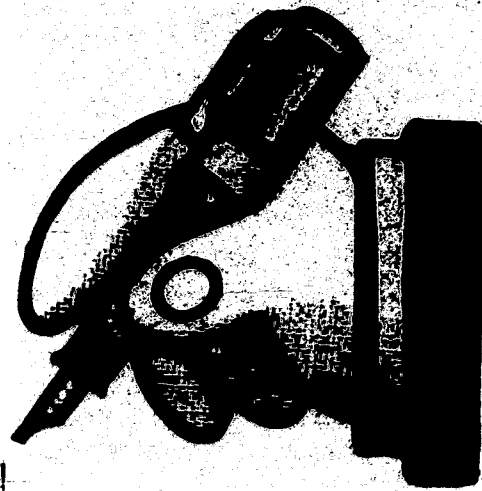
You have questioned some of your customers on how they feel about the idea. Their main concern seemed to be that they didn't want prices to go up. Some said they liked the stamp idea.

Since you are a neighborhood store, you have doubts that the stamp program will draw in many new customers.

You have just read in the newspaper that a large grocery chain is going to build a store 3 miles from your location. They have trading stamp promotions.

What is your decision on the stamp program?  
Give reasons for your decision.

What other forms of premiums/inducements might be useful?



LESSON  
37

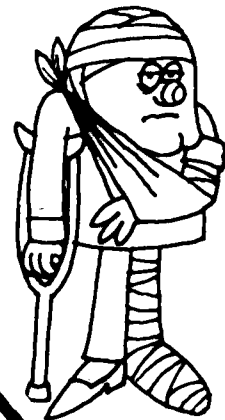
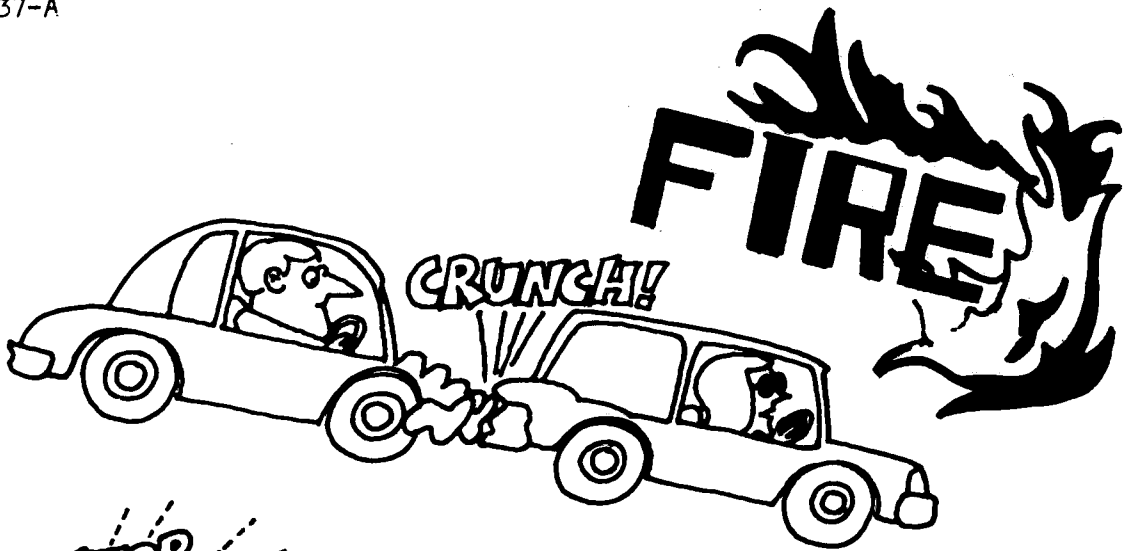
RISK AND INSURANCE



Topical Outline	Suggestions for Instructors
<p><b>RISK AND INSURANCE</b></p> <p>Some small businessmen look on insurance as if it were sort of tax. They recognize that it is necessary, but consider it a burdensome expense that should be kept at a minimum. Used correctly, it can reduce uncertainties under which you operate, reduce employees turnover, improve your credit, make it easier to sell to customers on favorable terms, help keep business going in case insured peril interrupts operation.</p>	<p>Overhead 37-A</p>
<p><b>RISK</b></p> <p>Everyone who owns and operates a retail store takes many risks. Risk is a possibility of loss. Some risks can be covered by insurance, while others cannot. It is possible to have results and profits of many years of hard work wiped out by a single fire, accident, or theft by trusted employee.</p>	
<p><b>NONINSURABLE RISKS</b></p> <p>This type of risk grows out of change. Customers wants, needs, tastes, modes of living change.</p>	<p>Noninsurable risks: change in competition, shifts in population, bad weather (ruin a sale), government spending and taxing policies, goods that are purchased but fail to sell.</p>
<p><b>HOW TO MINIMIZE NONINSURABLE RISKS</b></p> <ol style="list-style-type: none"> <li>1. By careful forecasts.</li> <li>2. By setting up reserves against such perils.</li> <li>3. By constant study of trends.</li> </ol>	
<p><b>INSURABLE RISKS</b></p> <p>Many possible dangers which can be guarded against by means of insurance.</p>	<p>Ex: fire, theft of cash, death, accidents to customers, accidents to employees.</p>

Topical Outline	Suggestions for Instructor
<p>HOW INSURANCE WORKS</p> <p>Insurance does not eliminate the risk, it transfers burden of loss from businessman to a business firm better able to assume the burden by "spreading the risk." Insurance is a system of winners pay losers.</p> <p>Insured enters into an insurance policy with an insurer for a fee.</p>	<p>Overhead 37-B</p> <p>Ex: Those lucky enough to avoid loss contributed through premium payments to unlucky one who does suffer loss. If you never collect from your insurance, consider yourself ahead, because then you are a winner. If you suffer a loss for which you are insured, you have security of knowing that others members of insurance system will relieve you of most of your burden.</p> <p><u>Insured</u>: person who has bought the insurance policy  <u>Insurance policy</u>: a contract  <u>Insurer</u>: the insurance company  <u>Premium</u>: fee you pay for freedom from worry about economic loss from conditions outside your control</p> <p><u>Question to class</u>: Is it possible for a store to carry too much insurance? Explain.</p>
<p>ESSENTIAL COVERAGES</p> <ol style="list-style-type: none"> <li>1. <u>Property insurance</u> Covers loss or damage to property. Many things can happen to retailer's property. Does not include shortage of merchandise inventory caused by shoplifting or pilferage.</li> <li>2. <u>Liability insurance</u> Customer falls in store. Injury by ill effects of some product purchased in store. Covers personal injuries (libel, slander). Delivery truck may cause personal, property damage. Employee may have accident while working in or for store.</li> <li>3. <u>Business life insurance</u> Protects business or family of businessmen, from financial loss which results from death of an owner or key executive. These policies are custom-tailored to fit individual stores.</li> <li>4. <u>Social Insurance</u> Unemployment compensation insurance. Retailer who hires 4 or more people must pay tax, a certain percentage of payroll to state, federal governments. This pays benefits to the unemployed.</li> </ol>	<p>Overhead 37-C</p> <p>Ex: Property insurance may include fire, theft, windstorm, loss of shipment, marine insurance, plate glass insurance, automobile insurance, burglary insurance, smoke, explosion, vandalism, malicious mischief.</p> <p>Ex: Policies for proprietorships, partnerships, corporations.</p>

Topical Outline	Suggestions for Instructor
<p>Workmen's compensation insurance Provides for employee's sickness, injury, death arising from his work on job. All states have this insurance.</p>	
<p>Old age, survivors, and disability insurance Benefits payable to qualified retired workers, dependents of workers, and disabled employees. Half paid by employee, half by employer.</p>	
<p>Group insurance Carried by many stores, mandatory in some locations. Covers disability, hospitalization, medical care for employees.</p>	
OTHER KINDS OF INSURANCE	
<p>Use and Occupancy insurance Covers loss of earnings in case of suspension of business due to fire or other catastrophes.</p>	
<p>Fidelity bond Covers theft or embezzlement by an employee.</p>	
<p>Fraud Insurance Covers counterfeit money, bad checks, larceny, and some robberies.</p>	



**INTERCHANGE**

INSURED

ENTERS INTO AN

INSURANCE POLICY

WITH AN

INSURER

FOR A

PREMIUM

## ESSENTIAL INSURANCE COVERAGE

1. PROPERTY INSURANCE
2. LIABILITY INSURANCE
3. BUSINESS LIFE INSURANCE
4. SOCIAL INSURANCE
  - UNEMPLOYMENT COMPENSATION INSURANCE
  - WORKMEN'S COMPENSATION INSURANCE
  - OLD AGE, SURVIVORS, AND DISABILITY INSURANCE
  - GROUP INSURANCE
5. OTHER KINDS OF INSURANCE
  - USE AND OCCUPANCY INSURANCE
  - FIDELITY BOND
  - FRAUD INSURANCE



Name \_\_\_\_\_

CROSSWORD PUZZLE CLUES

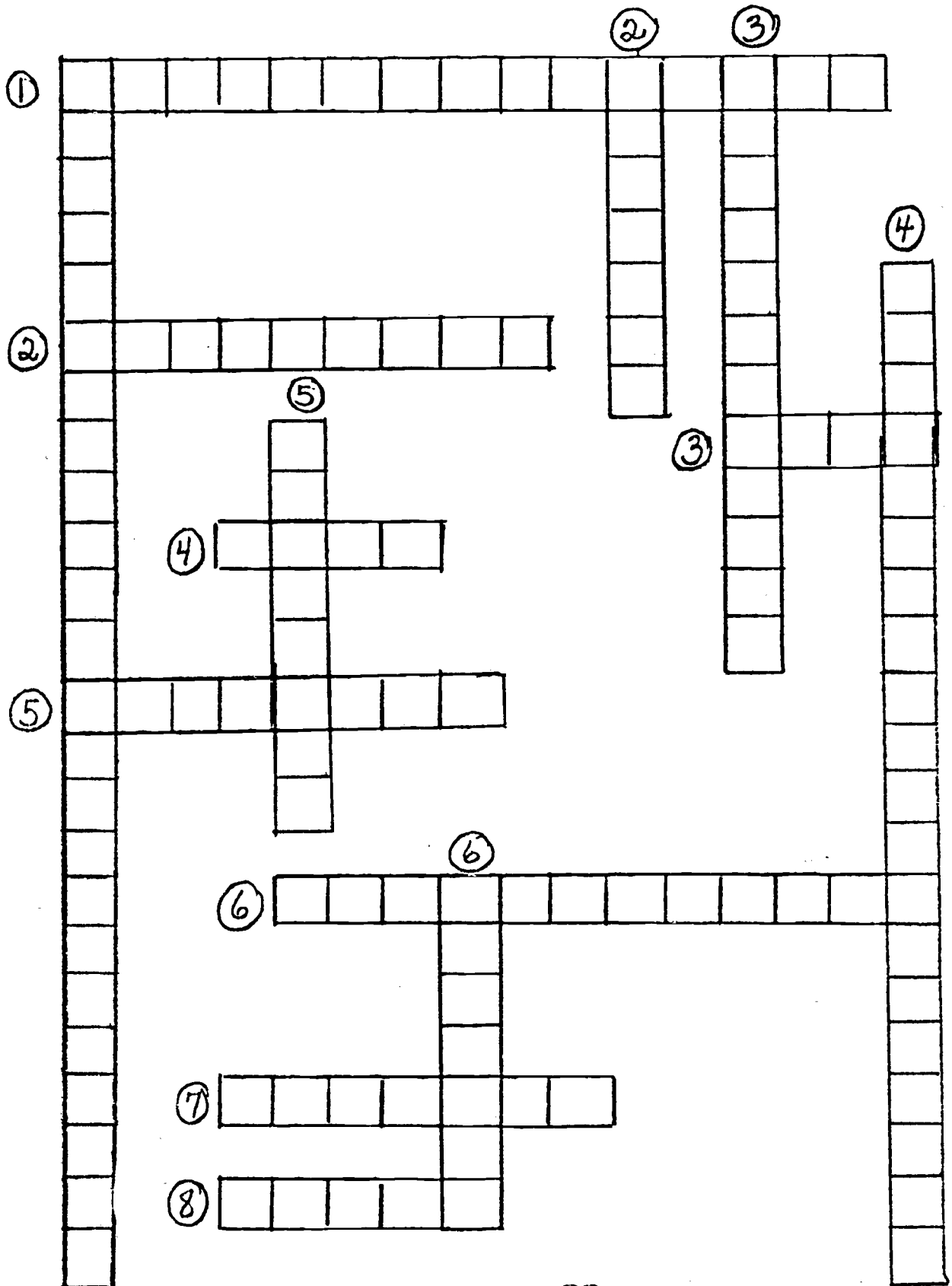
ACROSS

1. Insurance that covers loss of business earnings because of work stoppage due to catastrophes. (3 words)
2. Insurance that covers injury by ill effects of some product purchased in the store.
3. The possibility of loss.
4. Covers theft or embezzlement by employee. Fidelity \_\_\_\_\_.
5. The insurance policy is a \_\_\_\_\_.
6. Insurance that protects business or family of businessmen from financial loss which results from death of an owner or key executive. (2 words)
7. The insurance company.
8. Insurance that covers counterfeit money, bad checks.

DOWN

1. Insurance that pays benefits to unemployed. (2 words)
2. Fee you pay for insurance coverage.
3. Risks caused by change in population, bad weather, etc.
4. Insurance that provides for employee's sickness, injury, arising from his work on the job. (2 words)
5. Insurance that includes coverage on fire, theft, windstorms, plate glass, etc.
6. Person who has bought the insurance policy.

Name \_\_\_\_\_





ANSWER TO CROSSWORD PUZZLE

① SEAND OCCUPANCY

② LIABILITY

③ MENTRONS

④ BOND

⑤ CONTRACT

⑥ BUSINESSLIF

⑦ INSURER

⑧ FRAUD

⑨ BONUSES



LESSON  
38

RECORD SYSTEMS

Topical Outline	Suggestions for Instructor
<p>RECORDS SYSTEM</p>	<p><u>Question to class:</u> Why are records necessary to a business?</p>
<p>Primary purpose of record system is to provide answers to merchant's questions about his business. Much incompetence reported as cause of business failure due to lack of financial data.</p>	
<p>REASONS RECORDS ARE KEPT</p>	<p>Ex: Income, property, inventory tax return, social security, employee payroll taxes, sales tax, excise tax reports.</p>
<p>1. <u>Tax information</u> Required by local, state, federal government.</p>	
<p>2. <u>Historic information</u> So management can compare performance of current period to previous performance.</p>	
<p>3. <u>Decision-making information</u> Provides management with data needed to plan ahead. Interpret data to eliminate losses and increase profits.</p>	
<p>ESSENTIAL RECORDS</p>	
<p>Certain records are essential to a business of any size.</p>	
<p>1. Record of purchases.</p>	<p>Ex: Records of goods bought</p>
<p>2. Record of inventory.</p>	<p>Ex: List of merchandise available to customers.</p>
<p>3. Record of expenses.</p>	<p>Ex: Cost of fixtures, furniture, advertising, delivery, etc.</p>
<p>4. Record of sales.</p>	<p>Ex: Records of cash or accounts receivable.</p>
<p>5. Record of financial standing. Prepared from information from other records. Gives financial standing, shows profit or loss.</p>	<p>Ex: Business statements such as balance sheet, income statement.</p>
	<p>Overhead 38-A</p>
	<p>Overhead 38-B</p>

**BALANCE SHEET**  
**THE BLANK COMPANY**  
**December 31, 196-**

**ASSETS**

**CURRENT ASSETS**

Cash \$ 1,200  
Accounts Receivable 2,500  
Inventory 2,500

**FIXED ASSETS**

Land 15,000  
Building 2,500  
Equipment 17,500  
Less Depreciation 5,500 12,000  
\$21,200

**LIABILITIES**

Accounts Payable 1,400  
Accrued Expenses 750  
Short Term Loans 1,000

Long Term Loan 5,000  
Mortgage 7,000

**OWNER'S EQUITY**

John Q. Blank 5,000  
Earned Surplus 1,050  
\$21,200

**INCOME STATEMENT**  
**THE BLANK COMPANY**  
**January 1, 196- to December 31, 196-**

<b>SALES</b>	<b>\$50,000</b>
<b>COST OF GOODS SOLD</b>	<b>35,000</b>
<b>GROSS MARGIN</b>	<u><b>15,000</b></u>
<b>EXPENSES</b>	<u><b>13,400</b></u>
<b>PROFIT BEFORE TAXES</b>	<b>1,600</b>
<b>TAXES</b>	<b>400</b>
<b>NET PROFIT</b>	<u><u><b>\$1,200</b></u></u>

Find the following record systems terms in the puzzle below:

Reasons for records:

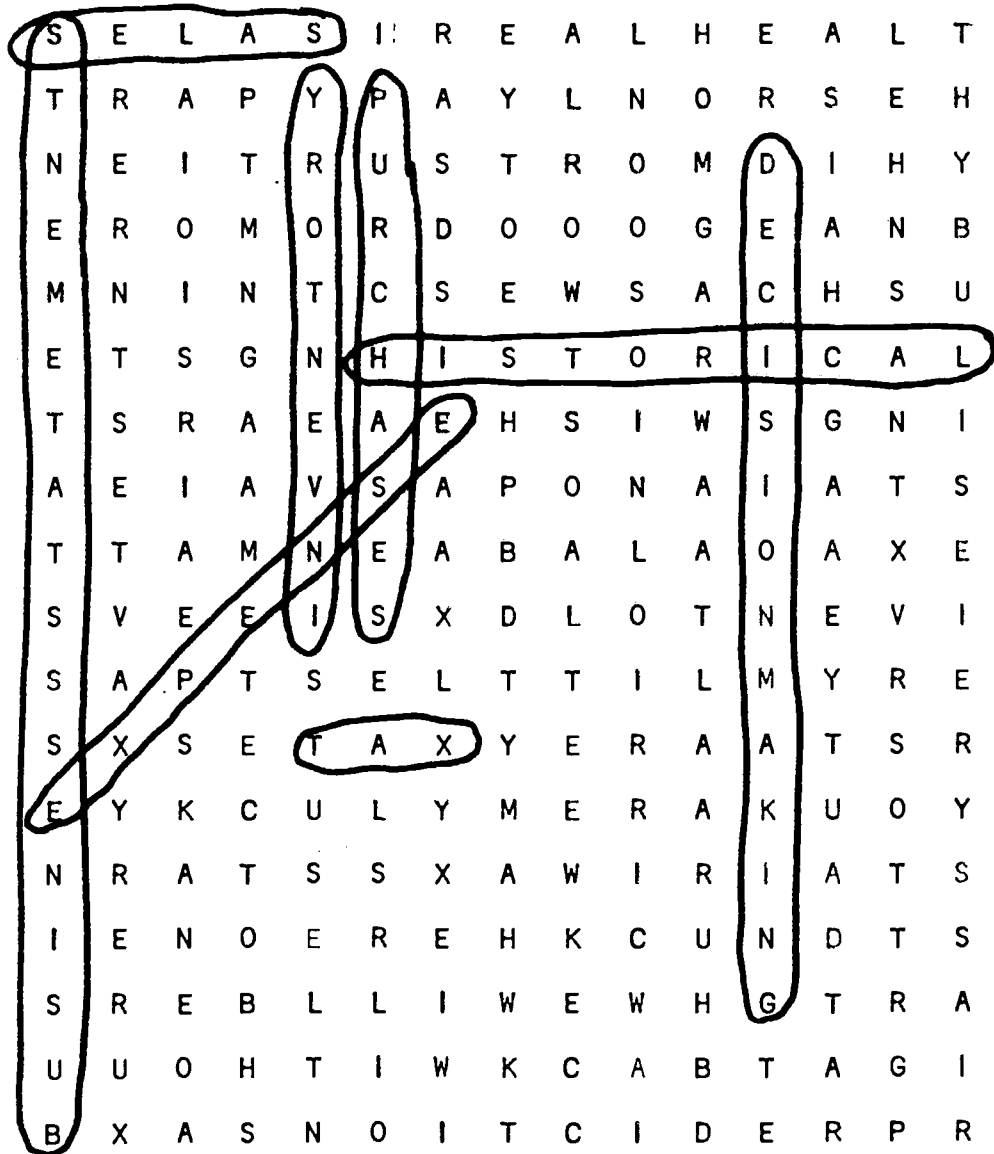
1. Tax
2. Historical
3. Decision Making

Essential Records:

1. Purchases
2. Inventory
3. Expenses
4. Sales
5. Business Statements

S E L A S I R E A L H E A L T  
 T R A P Y P A Y L N O R S E H  
 N E I T R U S T R O M D I H Y  
 E R O M O R D O O O G E A N B  
 M N I N T C S E W S A C H S U  
 E T S G N H I S T O R I C A L  
 T S R A E A E H S I W S G N I  
 A E I A V S A P O N A I A T S  
 T T A M N L A B A L A O A X E  
 S V E E I S X D L O T N E V I  
 S A P T S E L T T I L M Y R E  
 S X S E T A X Y E R A A T S R  
 E Y K C U L Y M E R A K U O Y  
 N R A T S S X A W I R I A T S  
 I E N O E R E H K C U N D T S  
 S R E B L L I W E W H G T R A  
 U U O H T I W K C A B T A G I  
 B X A S N O I T C I D E R P R

ANSWER TO PUZZLE:





LESSON

39

GOVERNMENT REGULATIONS

271



Topical Outline	Suggestions for Instructor
<p>REASON FOR GOVERNMENT REGULATIONS</p> <p>First businessmen had almost unlimited freedom. Some took advantage, guilty of unethical treatment of employees, competitors, customers. State, federal, local laws formed agencies to administer laws to insure fair business practices.</p> <p><u>Reasons for regulations</u></p> <ol style="list-style-type: none"> <li>1. Protect citizens against hazards arising from business buildings, equipment.</li> <li>2. Protect interests of employees.</li> <li>3. Protect competitors against unfair prices, monopoly.</li> <li>4. Protect customers against sale of harmful goods, misrepresentations in ads and selling, high prices caused by conspiracies.</li> <li>5. Tax business to pay for increased governmental services.</li> </ol>	
<p>ATTITUDES TOWARD GOVERNMENT REGULATIONS</p> <p>In the past, businessmen were antagonistic to additional government regulation. Today, partnership between business, government is emerging. Business has social responsibility that goes beyond buying, selling, making profit.</p>	<p><u>Question to class:</u> Do you feel there will be more or less regulations in the future? Why?</p>
<p>AREAS OF GOVERNMENT REGULATION</p> <ol style="list-style-type: none"> <li>1. <u>Regulation of commerce</u> Affects retailer's transportation costs on incoming goods. <ol style="list-style-type: none"> <li>A. Interstate commerce: commerce among states regulated by federal government. Federal government agency: Interstate Commerce Commission (ICC). Influences rates by transportation companies, except air transportation under Civil Aeronautics Board (CAB).</li> <li>B. Intrastate commerce: commerce carried on within state's boundaries, regulated by state laws.</li> </ol> </li> </ol>	

272

Topical Outline	Suggestions for Instructor
<p>2. <u>Regulation of competition</u>  Promotion of fair competition directly affects retailer. Regulations intend to promote fair competition.  Monopoly: control of price of goods/ services.  Some essential monopolies in certain fields, strictly regulated by government. Government allows some monopolies because businesses, and citizens served more efficiently, fairly.</p>	<p>Ex: telephone, telegraph services.</p> <p><u>Question to class:</u> Why is it desirable to keep the number of monopolies at a minimum?</p>
<p>3. <u>Regulations for public health, safety</u>  Retailer most affected by laws concerning merchandise - processing, packing, labeling. State, local building codes set standards in construction. Local zoning ordinances restrict areas in which certain types of buildings may be erected. State, local authorities require certain businesses to be licensed, meet requirements.</p>	
<p>4. <u>Labor regulations</u>  Old-age, Survivors, Disability Insurance in Social Security Act provides pensions to retired, benefits to disabled employees, benefits to survivors of employees, Medicare. Money for benefits comes from taxes paid by employee, employer. Most labor regulations originated by state, local authorities spell out working conditions, wages, hours of work. Unemployment Insurance programs give worker income when out of work, derived from tax paid by employers. All states have workmen's compensation laws that provide insurance for worker's sickness, injury, death resulting from job.</p>	
<p>5. <u>Financial regulations</u>  Established to protect citizens from dishonest practices, help protect country from economic declines. Administered by Securities and Exchange Commission.</p>	

Name \_\_\_\_\_

As an employee, discuss the advantages and disadvantages of the minimum wage laws.

As an employer, discuss the advantages and disadvantages of the minimum wage laws.