

# Storing Cash

In trying times, success depends on the bottom line. So what do retailers need to know about improving their cash flow? << [By Jocelyn Anderson](#)

For retailers these days, liquidity is the name of the game.

To reduce losses — and improve their bottom lines — retailers across categories are seeking out ways to improve cash flow. And in this economic climate, all areas of the business are prime targets for potential savings.

“Inventory is No. 1,” said Paul Erickson, SVP of RMSA Retail Solutions, a consulting firm. “And the faster you sell it, the better your cash flow.” Though that may sound obvious, Erickson, who often gives seminars on the topic, advises that independent retailers turn, or sell, their entire inventory at least three times a year.

But how do you do that? For many retailers, reducing inventory levels has helped. “If you think of each shoe box as dollars, the most important thing to do is tighten your inventory,” said Bob Schwartz, president of Eneslow Pedorthic Enterprises, which has three comfort stores in New York. “Never be out of your core and don’t worry about the fringe — there’s no room for B-and C-level product right now.”

Todd Kirssin, DMM of footwear at DTLR, which has 66 athletic stores throughout the East Coast, said that while he can’t stop buying completely, his approach is different now. “We’re being as efficient as possible with our existing inventory,” he explained. “We’re still buying a lot at once, but we’re looking for opportunity buys to give consumers some price value.”

Such opportunities, he said, include looking for deals from vendors, who may be receiving cancelled or returned orders that they are willing to resell for a better price.

And now more than ever, such arrangements between retailers and vendors can help a store’s cash-flow situation.

“Establishing relationships is really helping people,” said Karen Williamson, owner of Barefoot Tess in Baltimore. “That’s when people start to give you better terms.”

In fact, Erickson said a later payment due date is one of the most important things an independent retailer can ask for to provide relief on bills. “If you’re getting three [stock] turns, it’s taking you about four months to sell your inventory,” he said. “If you get 60 to 90 days dating [on invoices due], that helps a lot.”

Another option includes moving inventory from one door to another, if a shop has multiple locations. But this, too, must be carefully considered. “You have to weigh the cost of freight — it’s like a dollar per pair — and all the work [involved],” said Kirssin. “So you have to figure out whether it’s cheaper to mark it down or move it.”

Experts said retailers should also identify poorly performing brands and cut them out as much as possible.

“Unfortunately, we had a huge brand explosion in the last 18 months,” said Kirssin. “We’ve definitely scaled back for spring ’10 as far as the number of brands we’re going to carry and just be deeper in the brands we’re going to keep.”

Beyond analyzing inventory levels, retailers should also examine all other costs associated with the business to identify savings.

“I would look at all my financials, line by line, and see what those costs are and if there is any way to negotiate them,” said Guy McPhail, president of New York-based Zdenek Financial Planning. By doing so, one of McPhail’s clients recently found a provision in his lease agreement that allowed him to get a third of his original security deposit back after two years. He received a check for \$12,260 just for asking in writing. And if that provision isn’t there, ask anyway, McPhail said.

Tom Mendes, owner of nine Plaza Too stores in New York and Connecticut, has looked at every aspect of his business — from laying off staff to cutting out trips to renegotiating leases in all his doors. “If you don’t ask,” he said, “you’re not going to get it.”

## Finding Funds

*Footwear News* asked experts for tips on increasing cash flow to offset all-time lows in shopping traffic.

### Dos:

**Improve your turnover.** “Our best clients are those that are replacing their inventory three to four times a year,” said Paul Erickson, SVP of RMSA Retail Solutions.

**Renegotiate contracts, leases and other agreements.** Even fixed costs can be changed in this climate. Compare prices of service providers in your area and find out if they can go lower.

**Consider increasing the initial markup.** While this may not be possible for many brands and styles, there may be a few items that can withstand a price bump. “Too often pricing becomes mechanical, and it shouldn’t be,” Erickson said.

**Ask your vendors for a little relief.** Whether you need more time to pay the bills or more deals upfront, experts agree that vendors today are more willing to work with their best customers.

### Don'ts:

**Don't overbuy.** Inventory levels should be determined by how long product will take to sell. If your inventory is turning three times a year, you should buy only what can be sold in 17 weeks.

**Don't take markdowns if there are other options.** The root cause of heavy promotions is overbuying. Having a quickly rotating inventory can help avoid the need for excessive discounting. And sometimes moving merchandise to another store location can help.

**Don't ignore your statistics.** You should have detailed information about what is selling best each season, how much inventory you have coming in and forecasted sales for the period, all of which you can use at trade shows.

**Don't neglect customer service.** “It’s really about providing service,” said Guy McPhail, president of Zdenek Financial Planning. “Make sure you’re doing it better than anyone else. Don’t make it all just about money.”