



RETAIL FINANCE

Measurable and improved results through skills transfer, practical application and ongoing development.

Program Outline

Like most entities in the business world, retailing is much more complex than it first appears. Retailing today is probably changing faster than at any time in its history. But the basic concepts do not change and it is these concepts that are vital to understand, as well as the structural changes that are taking place.

The basic concepts of strategy, retailing profitability and management of those resources are the issues addressed in this programme. Concentration is on retailing strategy, basics of retail accounting, asset management, profitability planning, inventory management through GMROI/ROII, expense management, profit & loss, balance sheet.

Anyone who has a vested interest in retailing needs to know 'how the game is played and how to keep score'.

This would prove most useful to retail personnel, buyers and those who sell to and negotiate with retailers.

Participant Benefits

Participants will gain a basic understanding of retail accounting and how this is used in the management of categories. They will gain confidence in the use of financial terms through:

- Knowing the variables of the retail strategy
- Recognising the three primary output financial statements
- Calculation of certain profit variables
- Using asset management to improve returns
- Understanding various expenses and ratios
- Using inventory management principles
- Profit and cash flow budgeting

Program Content

Module 1: The Role of Strategy in Retailing

The retail strategy is the identification of the target market, ways to satisfy that market need and plans needed to build a sustainable competitive advantage. This module presents the context of retailing management.

- Elements of the sustainable competitive advantage
- Developing a retail marketing program
- Considering the variables
- The impact of different strategies
- Marketing elements and response of the competition

Module 2: Basics of Retail Accounting

Accounting is a way of recording transactions and keeping score in a timely manner to allow various stakeholders to make informed decisions.

- The income and expenditure statement
- Cost of goods sold calculation
- The balance sheet
- The importance of financial statements
- Gross margins; company, store, department, merchandise
- Cash flow, that all important ingredient
- Inventory valuation
- Inventory and cost of goods sold
- Merchandise handled at cost and retail
- Open to buy



Module 3: Margin Management

The idea that profits can be managed may seem to be unrealistic at first glance. But with correct information systems we can stop thinking in terms of profits as a residual of business activity and accept the concept of planned profitability.

- The requirements for profits
- Key profit variables in margin management
- Gross and net sales
- Cost of goods sold
- Operating expenses - natural division and expense/cost centres
- Managing the profit variables

Module 4: Asset Management

Whilst margin management is important, good retailers will also be concerned about how inventory turnover affects the profitability of their business.

- Assets are investments
- Some asset ratios
- Importance of asset turnover
- Return on asset models
- Return on investment concept
- Key profit variables in asset management - inventory, accounts receivable, fixed assets

Module 5: Basic Concepts of Expense Management

As one of the key profit variables, operating expense can be manipulated to improve the overall profitability. This module will present a structured method of managing operating expenses.

- Expenses and strategy
- Fixed and variable expenses
- Fixed expense leveraging
- Managing variable expenses and productivity



Module 6: Inventory Management

Retail managers have long recognised that merchandise management is the key to store profitability. Analysis of the retailer's financial statements quickly reveals the critical importance of merchandise.

- Merchandise management, the key to profitability
- Inventory management through GMROI/ROII
- Merchandise classification systems
- Retail merchandise systems - unit control (SKU's) and dollar control (ROII)
- GMROI/ROII model
- Using GMROI/ROII by managing categories

Module 7: Profitability and Cash Flow Planning

Performance must be judged from an overall perspective rather than by concentrating on the performance of individual key profit variables. Whilst profit is important we must also consider cash flow budgeting.

- Return on net worth
- The strategic profit model
- Profitability programming
- Cash flow budgeting

Module 8: Category Management

A category is an assortment of items (SKU's) that the customer sees as reasonable substitutes for each other. This module presents a context and overview of the variables and decision making in managing a category.

- The role of the buyer/category manager
- Category management basics
- Managing inventory
- Developing category strategies

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