



EXPENSE CONTROL

A Profit Enhancing Opportunity

General:

- Do you have a budget for all expenses?
- Do you review each expense category monthly?
- Do you know precisely what % of sales goes to expenses?
- Do you know how many \$ of expenses your company consumes everyday?

Operating Expenses:

- Do you review the purchases of Office Supplies?
- Do you require competitive bids and/or cost comparisons for supplies?
- Do you have a long distance telephone call tracking system in place to avoid unauthorized use?
- Have you compared long distance phone rates for your area?
- Do you require approval from top management for the use of overnight couriers and special delivery?
- If you are paying to store records and files, can these items be destroyed or moved to company owned space?
- Do you have energy saving devices on lighting, heating and cooling systems?

Insurance - Liability, Business Interruption & Contents -(Annually):

- Have you obtained competitive quotes from 3 insurance carriers?
- Have you examined the amount of coverage and deductibles?

Outside Services:

- If you are using outside services for bookkeeping, data processing, and payroll, can some or all of this work be brought in-house?
- Have you reviewed the number and type of reports you receive from outside, can they be reduced or eliminated?
- Have you solicited competitive bids for these services? How often?
- Have you reviewed the services provided by your accountant, attorney and other professional advisors? Can any of this work be done in-house?
- Have you reviewed your paperwork procedures and requirements to eliminate any that are unnecessary, redundant or duplicated?

Personnel:

- How should I staff my business? How many people do I need?
- Do I "empower" my people to use their own judgement and make decisions quickly and effectively?
- What is your routine for recognizing and rewarding superior performance?
- Is it time to "downsize"?
- Can some jobs be doubled up?
- Are some people doing work that brings the company little or no benefit?
- What is your routine for counseling less than acceptable performers?
- Have you eliminated borderline performing employees in a timely manner?



RETAIL MANAGEMENT ASSOCIATES

- Do you require approval from top management for the use of temporary personnel?
- Do you have an employee evaluation system with clear, specific standards of performance and productivity?
- Is it necessary to temporarily furlough un-needed employees?
- Do you have a reasonable vacation and holiday policy?
- Do you have a reliable method of tracking employee illness time, absenteeism and tardiness?
- What testing do you do for new hires? For existing employees?
- Do you have clear, well-developed job descriptions, including specific responsibilities for all to see?
- What do you do to utilize your salespeople's "stand around" time?
- What is your work culture and how is it communicated to your employees?
- What is your people turnover? Do you conduct exit interviews to find out why people leave?

Payroll:

- Have you reviewed the salary and commission levels and compared them to the current market?
- Have you reduced salaries or commissions for positions you are overpaying?
- Are you paying your commissions as a % of sales or % of margin?
- Does your commission plan give your salespeople direction toward profitable sales?
- Do you have salary caps on non-technical and non-managerial positions?
- Do you require approval from top management for overtime?
- Have you review your employee benefit plan?
- Do you require your employees to contribute some or the entire premium?
- Do your employees pay for dependent coverage?
- Have you re-bid your insurance contracts every year?
- Have you raised the deductibles or reduced the benefits on your plan?
- Do you qualify your employees for workman's comp before you hire them?

Sales:

- How much flexibility do your salespeople have with price, too much, too little?
- Do you have an efficient method of collecting information about your customers, their needs and wants? Automated or manual?
- Is there additional data you require in order to make sound decisions?
- Are you leveraging all the customer data that you are collecting?
- Do you have a tracking system in place for all pending sales and special orders?
- Do you have a policy and procedure for handling customer returns and damage claims?
- Do you have in place a private-label credit card program with the flexibility to offer your customers a variety of interest options?
- Do you encourage your salespeople to use private-label credit programs to reduce outside credit card expense?
- Do you sell at least 70% credit payment insurance?
- Do you sell full service Extended Service Protection plans?
- Do you require your salespeople to achieve no less than 7% ESP % of overall sales?



- Do you review your customer count by the hours and days of the week your store is open?

Advertising & Promotions:

- Have you reviewed your ad budget for cost and effectiveness?
- Do you budget ads by product category?
- Do you track advertising costs by each sales event you conduct?
- Are you continuing to promote your high profit, tried and true products?
- Do you conduct in-house sales training to share sales and profit strategies?
- Are you careful about cutting prices? Is this done selectively and only when absolutely necessary?
- When you cut a price, do you make certain all salespeople understand the step strategy to the more profitable items?
- Do you train your salespeople on the advantages and benefits of the better models?
- Do you promote your retail credit program?
- Do you monitor the quantity of As-Is or damaged merchandise sales?

Inventory:

- Do you have a tracking system in place for all products and orders?
- What is your order/receive/delivery cycle time?
- Can this cycle time be reduced?
- How do you monitor the amount of inventory shrinkage and the categories in which it occurs most often?
- What security procedures and policies do you have in place?
- Do you have security measures in place for small items on display?
- Do you have a locked, secure area in your warehouse for easily stolen items?
- How long does it take for newly arrived inventory to reach the display floor and to be fully prepared for sale?
- Do you have a system in place to identify and sell slow moving items?
- Do you get at least 6 complete inventory turns every year?
- Do you require a minimum down payment on special order items?
- How much of your inventory is committed to customers? What %?
- For how long will you hold merchandise for a customer? How many days?
- Do you monitor future delivery dates so as to order required products just in time for delivery?
- Do you rotate floor models on a regular basis so as to avoid excessive obsolescence?

Warehouse:

- Do you have enough or too much warehouse space?
- Do you have a specific bay location identification system for all product?
- Are receiving and locating procedures clearly laid out?
- What amount of damage is acceptable? What % of sales?
- Can you identify where the damage is taking place and who is causing the damage?
- Do you prep/uncrate all products before they leave the warehouse?
- Do you have a routine for appliance disposal that meets all local environmental requirements?



Delivery:

- How much do you deliver the same day? In 24 hours? In 48 hours? Greater than 48 hours?
- Can the time between the sale and the delivery be reduced?
- Do you train your delivery personnel on customer service?
- Do you have cellular phones in your trucks?
- Do you have a system to review the condition of merchandise before it is loaded on the truck?
- Do you give your delivery personnel incentives or bonuses based on performance and damage reduction?
- Do you route deliveries so as to minimize driving time and maximize productivity?

Service Department:

- Do you keep sufficient or excess parts in stock?
- Do you buy parts at the best price?
- Do you have an effective closely monitored parts inventory control system?
- Do you route service trucks so as to minimize driving time?
- Do you monitor service tech's output per hour?

Building and Facilities:

- Have you reviewed your rent recently? Is it reasonable for current space and market conditions? Can it be negotiated downward?
- Do you have the proper square footage for the store volume on a sales per square foot basis?
- Have you recently done a review of your facilities and displays?
- Is the maximum possible space devoted to sales and displays?
- Is your building exterior in good repair, reflecting pride in your company?
- Is your interior and exterior signage up-to-date and in good repair?
- Are all floor coverings clean and in good repair?
- Is all lighting operational, bright and clean?
- Is your store clean?
- Are your displays coordinated, clean and functional?
- Does your store have an organized and effective customer traffic flow?
- Are your heating, air-conditioning and plumbing systems working properly and efficiently?
- Do you have energy management systems for all lighting, HVAC, etc.?

Accounts Receivable:

- Do you monitor accounts receivable aging and "days sales outstanding" information carefully, every week?
- Do you isolate problem accounts and take action quickly?
- Do you assess stiff penalties to habitually late paying accounts?
- Do you tie sales commissions to the collection of accounts?
- Do you avoid the temptation to make a sale to a borderline credit customer just for the sale of activity?
- Can you offer a one time discount to close long outstanding or disputed accounts and convert them to C.O.D. for all future purchases?
- Do you have a regular, systematic collection procedure in effect?



Accounts Payable & Cash Flow:

- Do you project cash flow weekly and monitor it closely?
- Do you deposit cash daily into interest bearing accounts?
- Do you invest all available cash effectively?
- Does your bank offer a "SWEEP" account?
- Do you delay payment of invoices as long as feasible?
- Are you fully taking advantage of all discounts available?

Travel:

- Are trips limited to those necessary for the success of the business?
- Do you plan in advance when to travel and look for ways to group trips to reduce travel costs?
- Have you reviewed airfare and hotel rates to ensure they are the lowest possible?
- Is it possible to have your vendors pay for some or all of your travel expenses?

Other:

- Do you have a budget for miscellaneous expenses?
- Do you monitor miscellaneous expenses every month?
- Have you recently reviewed key business documents, including Partnership Agreements, Wills, Estate Plans and Personal Guarantees? Are they up-to-date? Do the decisions they reflect make sense in today's market?
- Can you eliminate or reduce the number of Personal Guarantees in effect?
- Have you reviewed your financing arrangements and re-negotiated unfavorable loans?
- Can multiple loans be consolidated at lower interest rates?
- Do you have procedures in place for employee feedback related to process improvement?