COASTAL Connections CONFERENCE

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The *Roadmap* To Making Money in Today's Retail Climate

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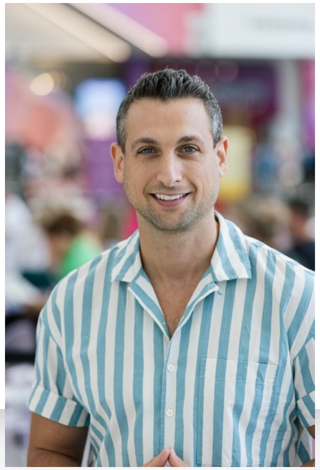


To receive a copy of this presentation or learn more about our process, please scan:

What is the current state of the retail economy?

DID GROSS DOMESTIC PRODUCT RISE OR FALL IN Q2 OF 2023?

+2.4%

*when adjusted for inflation
*Q1 was up 2%

DID CONSUMER SPENDING INCREASE IN Q2 OF 2023?

+1.6%

*fueled by services and Taylor Swift tickets

DID PERSONAL INCOME RISE OR FALL IN Q2 OF 2023?

+2.5%

***after taxes and adjusted for inflation fueled by a strong job market**

DID INFLATION (CONSUMER PRICES) RISE OR FALL IN Q2 OF 2023?

+2.6%

*down from 4.1% in Q1

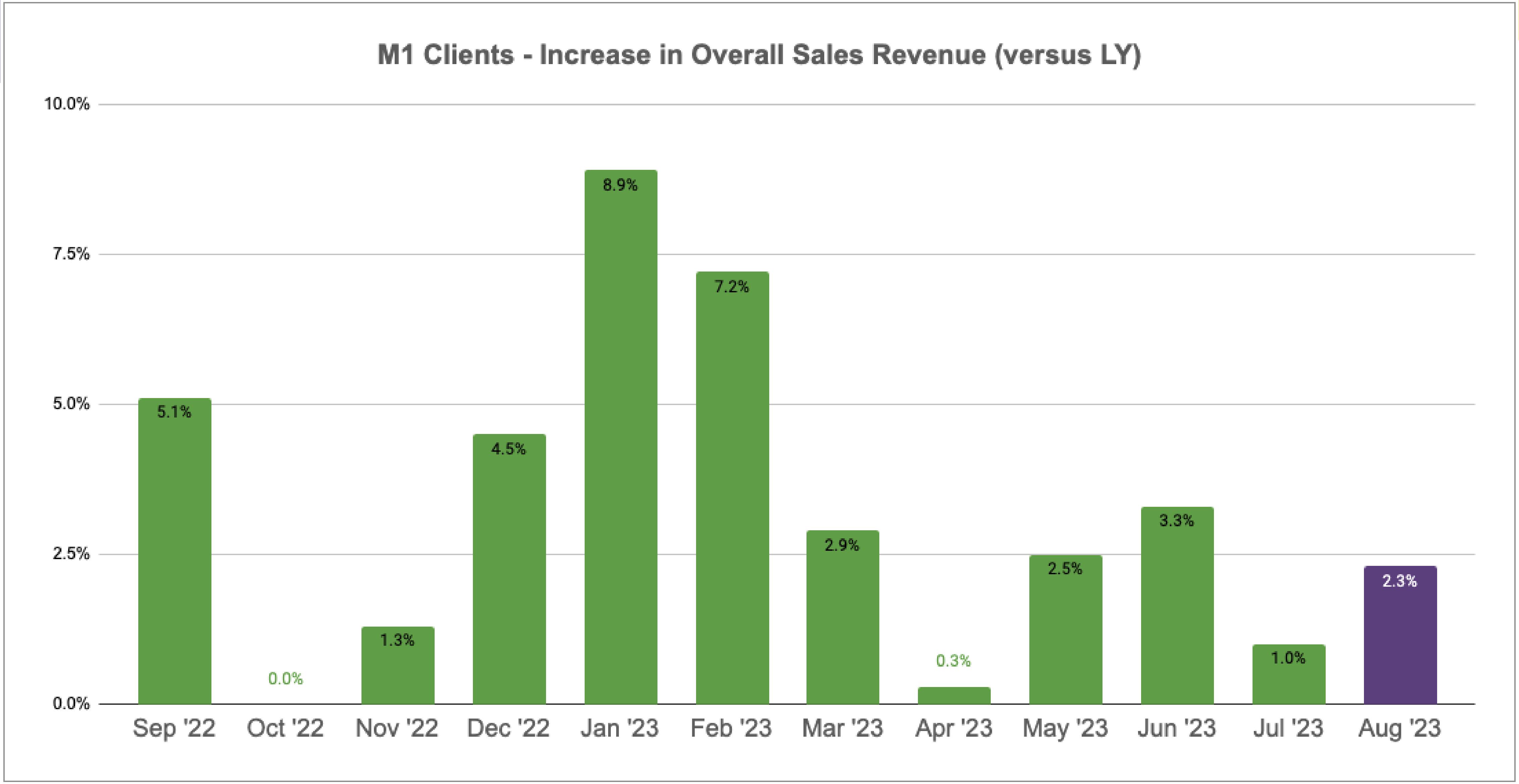
DID RETAIL SALES RISE OR FALL IN JUNE OF 2023?

+0.7%

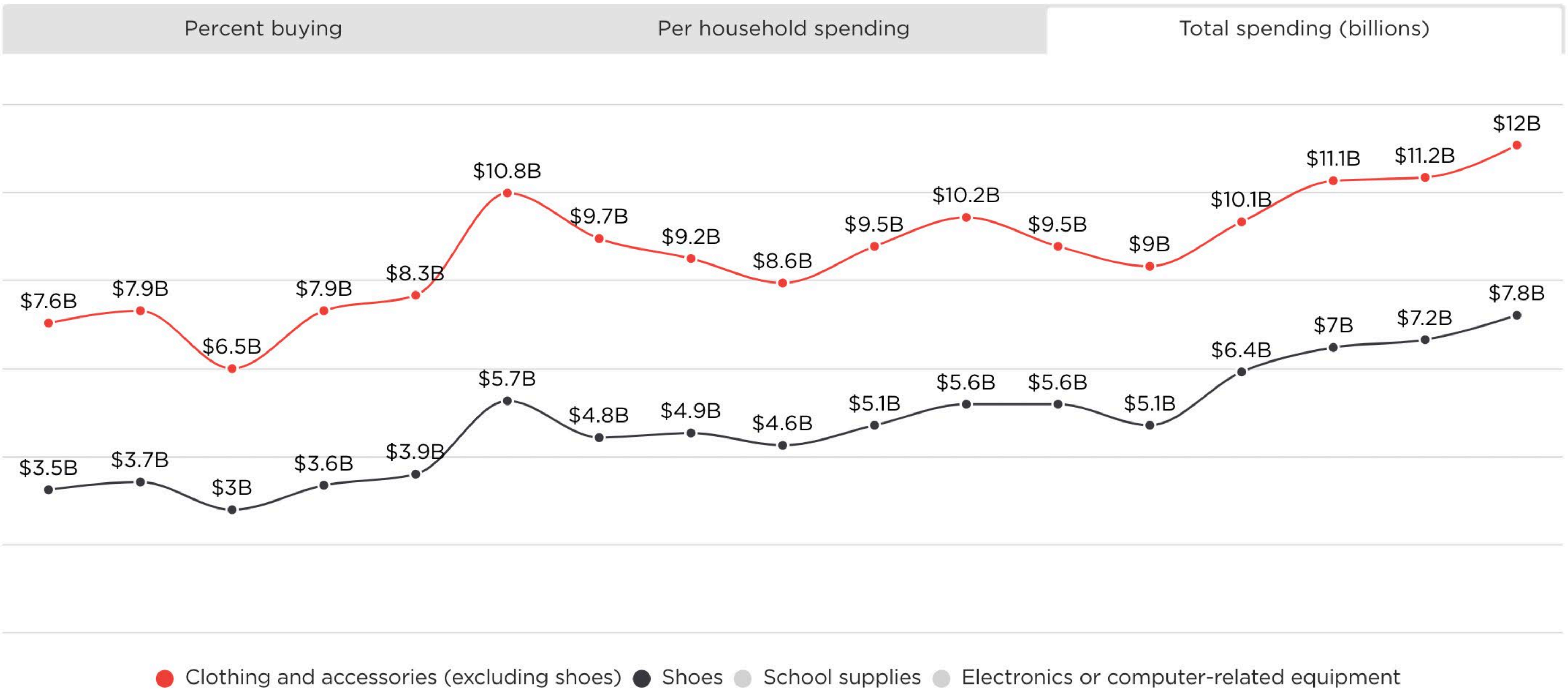
*increase in August of .8%
*women's clothing stores, shoe stores, & department stores all up


THE VIBECESSION

- When consumer sentiment, discourse and lived experience does not match the realities of current economic indicators and reporting
- Coined by author and financial educator Kyla Scanlon
- Vibes are in decline as economy is okayish
- Can create a “self-fulfilling propecphy”


M1 Clients - Increase in Overall Sales Revenue (versus LY)
10.0%
7.5%
5.0%
2.5%
0.0%
5.1%
0.0%
1.3%
4.5%
8.9%
7.2%
2.9%
0.3%
2.5%
3.3%
1.0%
2.3%
Sep '22
Oct '22
Nov '22
Dec '22
Jan '23
Feb '23
Mar '23
Apr '23
May '23
Jun '23
Jul '23
Aug '23

What are consumers spending their money on?



Source: NRF's Annual 2023 Back-to-School Spending Survey, conducted by Prosper Insights & Analytics

NRF National Retail Federation

IS IT OVER?

- Annual Retail Sales Forecasted 4%-6% growth in 2023
- Store openings outpaced closings in 2022
- Online retail sales are growing for small and medium size retailers
- Back-to-School spending reached record highs

IS IT OVER?

REAL CHALLENGES

The Roadmap to Retail Success & Generating Cash

The Roadmap to Retail Success & Generating Cash

RETHINK MARGIN

PLAY OFFENSE

SHARPEN PRICING

EMBRACE MARKDOWNS


CASH
FLOW

52%

52%

COST OF PURCHASES

Cost Of Goods Sold

The most misleading metric in retailing

YOUR ACCOUNTANT TELLS YOU

SALES $1,000,000

Beginning inventory	**$ 250,000**
+ Purchases	$ 700,000
- Ending Inventory	$ 350,000
= COST OF GOODS SOLD	**$ 600,000**
Sales	**$1,000,000**
- Cost of Goods	$ 600,000
= GROSS PROFIT	**$ 400,000**
Gross Profit	**$ 400,000**
- Expenses	$ 350,000
= NET PROFIT	**$ 50,000**

Your Bank Account Tells You

CASH IN		CASH OUT	
		Purchases	$ 700,000
		(Plus) Expenses	$ 350,000
Sales (cash in)	**$1,000,000**	**Total (cash out)**	**$1,050,000**

($50,000)

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Inventory Health

Investment Brokers

Stock-to-Sales Ratio & Turn

More important now than ever before

More significant than margin

How are you currently tracking your inventory fluctuations?

Are you efficiently rotating your inventory according to the current situation?

Do you have too much?

Do you have too little?

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How are you currently tracking your inventory fluctuations?

LY SALES ONLY TELL A TINY PIECE OF THE STORY

A little bit of everything, a whole lot of nothing….

STOP WINGING IT!

WIDE & THIN: MERCHANDISE BUYING

A little bit of everything, a whole lot of nothing….

WIDE & THIN: MERCHANDISE BUYING

Perils of too much inventory

"My customers want to see a big selection to choose from"

*

PARADOX OF CHOICE

Too many choices make it hard to choose

It is important to understand human psychology

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BUYING WITH A BUDGET

Get your category structure right

Forecast your sales

Factor in markdowns

Set beginning and ending inventory

MERCHANDISE HIERCHARY

DCS

APPAREL		DEPARTMENT
OUTERWEAR		CLASS
Winter Coats	Jackets & Blazers	SUB-CLASS
PANTS		
Athletic	Dressy	
T-SHIRTS		
Graphic	Basic	

Playing Offense

Narrow & Deep

- **Aggressive plans ensure you land needed goods**
- **Become more important your vendors**
- **Avoid excessive markdowns**
- **Keep your customer focused**

Your Job As A Buyer Is To Do The Editing!

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KEEP IT FRESH!

PAY ATTENTION TO YOUR FLOW OF NEW INVENTORY

… the ratio of sales to fresh is mission critical

The Appetite For Fresh & New Is Constant

90% of your sales cone from inventory <u>less than 10 weeks old</u>.

50% of your sales come from inventory that was <u>delivered and sold within the same month.</u>

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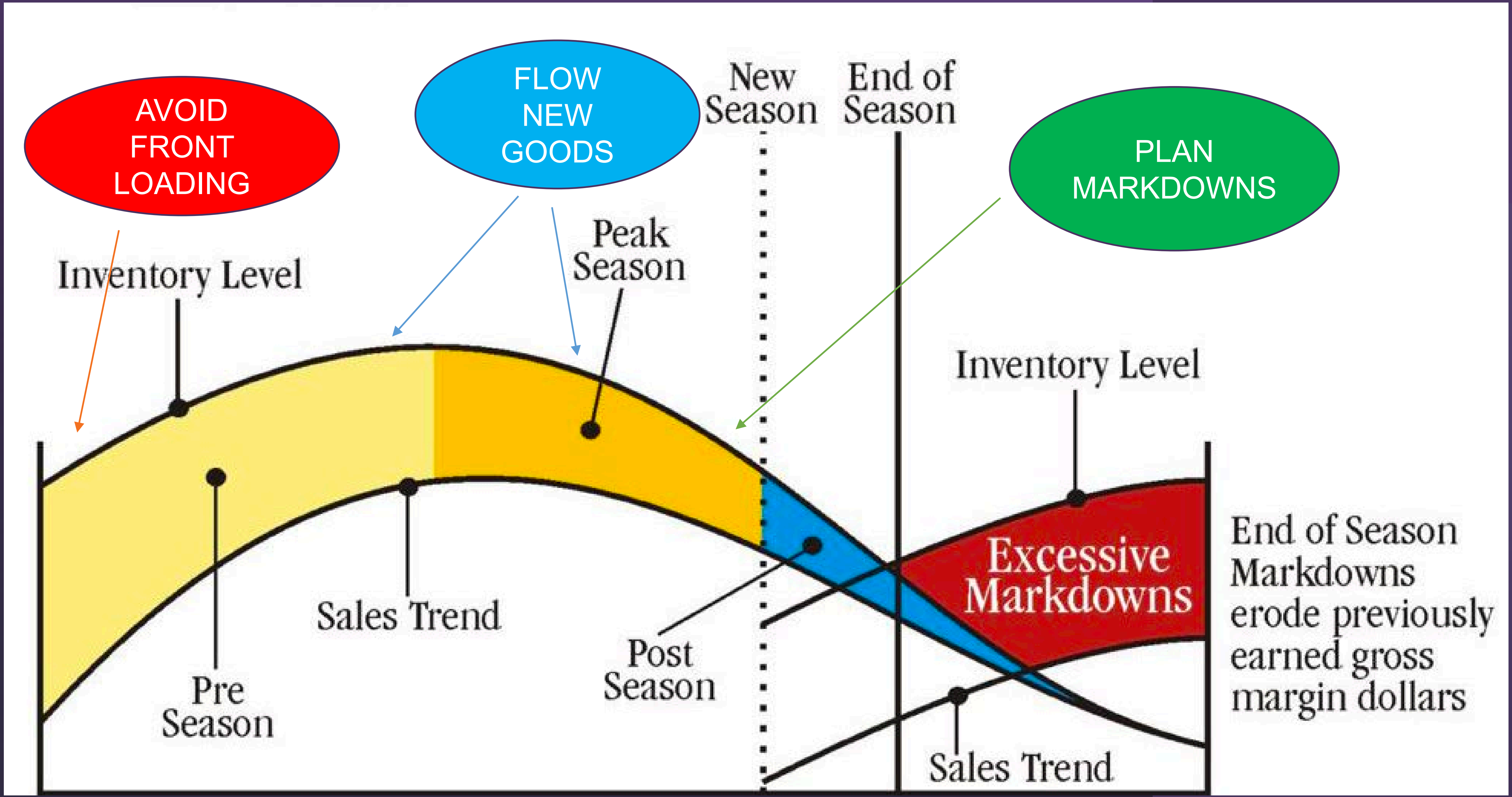

AVOID FRONT LOADING
FLOW NEW GOODS
PLAN MARKDOWNS
New Season
End of Season
Peak Season
Inventory Level
Inventory Level
Excessive Markdowns
End of Season Markdowns erode previously earned gross margin dollars
Sales Trend
Pre Season
Post Season
Sales Trend


MANUFACTURING COST
MARKET CONDITION
cost?
MARKET PLACE
COMPETITION
% Market Share
BRAND
Company Logo
revenue-generating
PRICING
QUALITY of PRODUCT
100% QUALITY
Premium Quality
PROFITABILITY
REALISTIC
POSITIONING
Convert customer
NEEDS
DEMAND
PRICE/QUALITY Relationship
PRODUCT
PROMOTION
PLACE
cost centers
4Ps

"…that's what I always price it at…"

"…I double the cost and then add a $1 or $2…"

"…I multiple the cost by 2.2…"

"I can't get more than keystone…"

"my vendors set the price…"

PRICING FOR PROFIT

IMU	Sell-Through
50%	96%
55%	86%
60%	77%
65%	67%
70%	58%

Wholesale	Retail
$20	$40
$20	$44.50
$20	$50
$20	$57
$20	$67

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AKILA

AKILA LOGOS

CHAMPAGNE/AZURE

$140.00

AKILA

AKILA LOGOS

CHAMPAGNE/AZURE

~~$140.00~~ 80% sell-thru needed

$118.00 96% sell-thru needed

It Is NOT Impossible To Get More Markup!!

"I can't price things higher than my competitors or what it is priced at online"

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INITIAL MARKUP FORMULA

$$\text{IMU} = \frac{\text{markdown\%} + \text{operating expense\%} + \text{desired net profit\%}}{100 + \text{markdown\%}}$$

SET YOUR IMU TARGET

STEER CLEAR OF COST-BASE PRICING

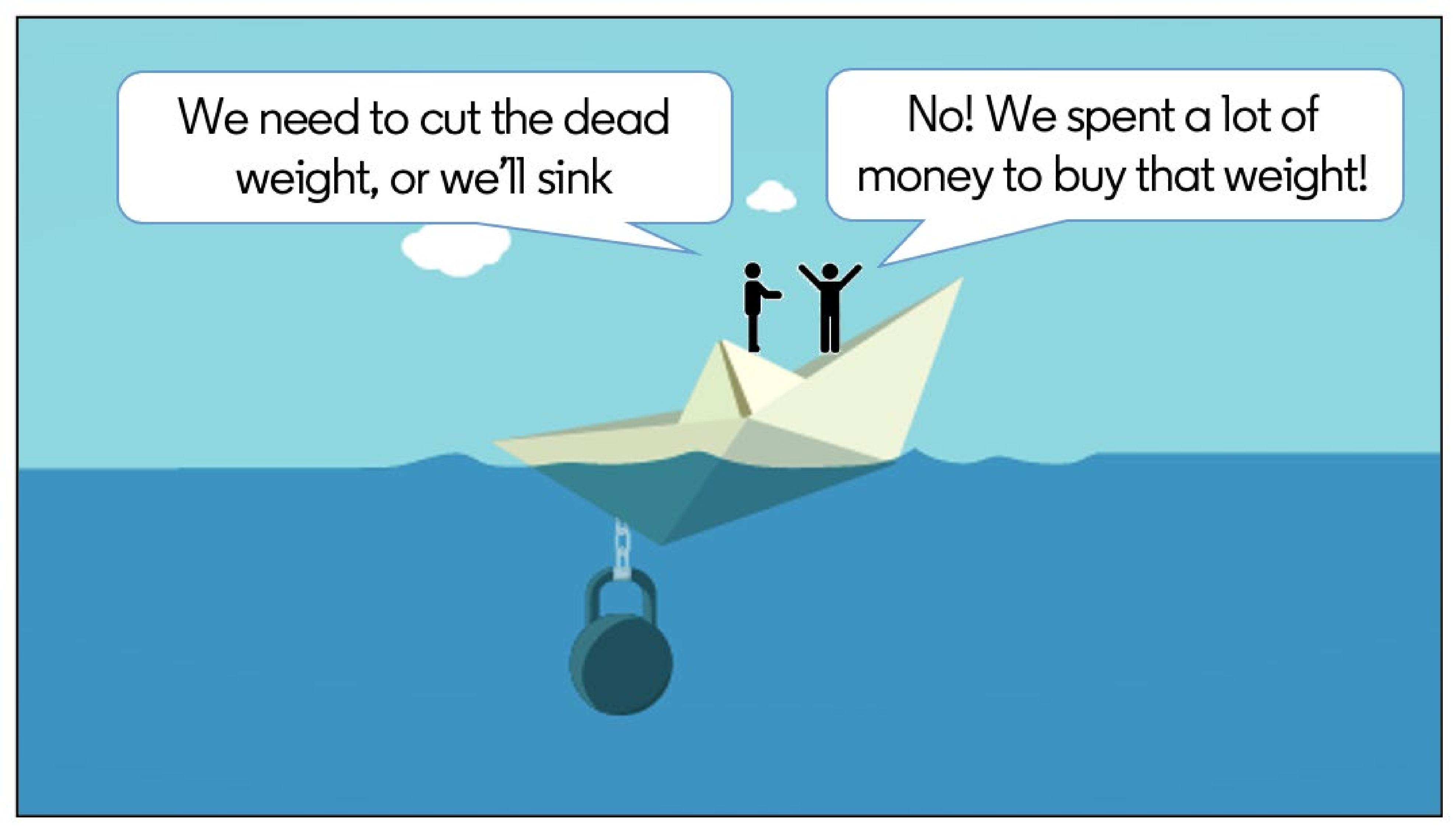
LOOK FOR MARGIN BUILDING OPPORTUNITIES

The Selling Cycle:

MARKDOWNS & MMU

Markdowns…Friend or Foe?

- A cost of doing business
- Creates artificial demand for merchandise
- Opens up $ to buy


We need to cut the dead weight, or we'll sink
No! We spent a lot of money to buy that weight!

Markdowns

MARKDOWNS are a tool to generate Inventory Health

FAIL FAST, SUCCEED SOONER

Failure is valuable because it forces us to learn, even when we don’t want to

Markdown
RULES

PLAN
PLAN
PLAN

USE 8-10 WEEKS AS YOUR GOAL POST

YOUR FIRST MARKDOWN IS THE CHEAPEST

LEARN FROM EVERY MARKDOWN

PAY YOUR TUITION

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"Mr. President.
I'm helping put
a man on the
moon"

Start setting data-driven goals for success

Start using a strategic plan when attending trade shows

Understand how to use strategic thinking when analyzing your data

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