

# Petrie's Sports

## Righting A Sinking Ship

By STEVE FECHTER, Associate Editor

WHEN RALPH WEST discovered that some of his buyers didn't know what turnover was, he knew he was in trouble.

His stores, Sea 'n Ski Sports of Milwaukee, had just merged with the Petrie Sports chain of Madison, Wis. It was 1976, and West, who had been in retailing since 1955, was looking forward to partial retirement in three years. But Petrie's, a six-store operation founded in 1921, was in trouble, and so were West's retirement plans.

"After we merged," recalled West, "the bad habits of the previous owners became obvious. They had no control over the buyers, which was reflected in an overblown inventory. Expansion had caused a ton of problems, and expenses were running rampant."

To compound the problems, West discovered in a meeting with the store managers that sales records were poorly kept. It made year-to-date sales comparisons virtually impossible. Employee morale was at low ebb. Petrie's, it turned out, was nothing more than a rudderless ship heading for disaster.

Fortunately for Petrie's, West had come aboard before the chain was in dire straits. West was negotiating with two parties to sell his Sea 'n Ski stores when Petrie's approached him. Hindsight, West admits, tells him he should have made a more thorough analysis of the Petrie operation before agreeing to the merger.

Instead, he found himself vice president of the new corporation. When the stores' problems came to light, he acted. Within a year's time, he and his partner, John Williamson, had bought out three other principals' interest.

Among West's first moves at the helm was to call in the George S. May International Co., a 55-year-old management consultant firm which specializes in solving the problems of small and medium-sized businesses. "Too many companies wait until they are on the verge of bankruptcy before they seek help," said West, "and by then it's too late."

West, working closely with May's

consultants, began redesigning methods to control inventories and purchasing merchandise, plus developing a master profit plan for each store. In addition, May International Co. set out to devise a policy manual for the company.

Both West and the May Co. viewed Petrie's problems as existing on two levels—operations and personnel. Although distinct problems unto themselves, West saw them as closely interrelated. "You must make sure your people understand where the company is going," he said, indicating that a total team effort was needed if Petrie's was to survive.

On the operations level, the most glaring area of concern was inventory control. And, in West's opinion, it was the key to solving all the other problems. Petrie's had 15 buyers when West arrived. The problem wasn't simply in the number of buyers, according to West, but primarily in how they were supervised. Given a free rein, their buying was undisciplined, as evidenced by the resulting inventory mess.

Overbuying, combined with overexpansion, was the downfall of Petrie's Three Stripes stores, two Madison, Wis., outlets opened in early 1976 to sell athletic footwear. Though he termed the Three Stripes stores only 1/15 of the chain's problems, West said it was a microcosm of Petrie's troubles. "They just kept bringing in shoes," said West of his predecessors. "And they were getting less than one turn on some items."

Nevertheless, West recognized that even had Petrie's buyers been the best in the industry, they did not have enough inventory information to properly perform their job.

"We didn't know what we had on hand or what we had sold," said West, who set out to generate accurate and timely inventory reports from which he and the May Co. could develop an open-to-buy report.

Having had such a system at Sea 'n Ski, West knew it was a matter of enhancing that program to encompass Petrie's more extensive lines, which included athletic goods. West and the May Co. set up Petrie's in-

ventory on ABC Analysis to keep track of sales in 21 departments. Today inventory at all the stores is regularly taken by piece counts. Now sales reports flow into the company's headquarters daily, instead of on the infrequent basis that had become the custom at Petrie's. The network of information now available allows West and Williamson the opportunity to accurately compare sales at each store and the chain as a whole on a year-to-date basis. With this timely information in hand, Petrie's could begin setting up an open-to-buy program.

"There is no simple formula for setting up OTB," said West, "but it is not hard to do. It would be very simple were it not for the dating programs in the industry. But, suffice to say, keeping track of pieces is the key to OTB. If you know what you sold each month, each week, or each day, it helps tremendously."

One of the hardest parts of the recovery effort, according to West, was

## Consultant's Free

"The small businessman has to be like the captain of a ship," says Ray Margolies. "He has to know where he is at all times. And he must use the instruments he has at hand to get him to his destination."

As President of George S. May International Co., a management consultant firm based in Park Ridge, Ill., Margolies knows that many businesses run aground because they are run by a "seat of the pants" approach. For example, in working with 5,000 small to medium-sized businesses a year, Margolies and his associates have seen some businesses which have only one profit and loss statement a year. "A monthly sales report is the bare necessity," he said. "You have to have a measuring stick with which to compare performances from one period to another."

Be it Petrie's Sports or Ford Motor Co., he observed, all businesses operate on the same basic premise: managing income and expenses to produce profit. "The only differences

working with the buyers, whose numbers were trimmed to four.

"They had never worked with an open-to-buy," he said. "I told them to handle it as if I was giving them paper play money. 'You have only so much to spend,' I told them, 'and you cannot go through open-to-buy.'"

As difficult as it was to adjust to Petrie's "tighter ship," West knows it was worth it. "We never get into an overbought situation now because we are able to adjust our buying to the conditions that exist."

The lack of discipline displayed by the buyers was typical of most of Petrie's work force. With no guidance from above, store policies and employee responsibilities varied from store to store. "Everyone was treated differently," observed West. "It's the general story of any company that grows too quickly. Growth shouldn't overtake your backroom."

This realization spurred the development of the policy manual, which West called one of May International's

biggest contributions.

"Everybody's responsibilities are outlined in the book," said West, "plus all store policies are detailed within. For example, it explains that the manager's job is, what the buyer's job is, and what the salesperson's job is. Now, when a dispute arises, we check the manual."

A prime example of Petrie's new uniform policy is in return goods. It's now a standard operating procedure to accept merchandise returns with no questions asked. Before, one Petrie's store would accept returns while another might not, a practice which West felt undermined the consumer's confidence in Petrie's.

After weeding out the managers who would not work within the new system and clearly defining responsibilities for all employees, West said morale improved markedly.

A manager's job at Petrie's is clear, simple and important, according to West. He opens and closes the store, counts the receipts, schedules the

employees' hours, handles returns, takes care of displays, and helps set up the budget. "The rest of his time is either spent selling on the floor or training the employees," said West. "We want our managers to do what they do best, and that's sell."

Part of the improved morale can be attributed to Petrie's establishment of sales incentives, both for managers and employees.

As one means of encouragement, Petrie's uses spiffs, a cash bonus that salespeople receive for sales of specially designated merchandise. This "push money" is much better than discounting merchandise, according to West, especially if you wish to maintain your image as a non-discount store.

"Say you have a slow-moving item that costs \$50," explained West. "Instead of discounting it 20 percent, you spiff the item. Give \$5 to employees for each one of the items they sell. Then you're only discounting it 10 percent."

In addition, Petrie's now holds sales clinics every other Saturday morning prior to opening. Managers and buyers usually conduct the sessions, which focus on the technical aspects of products. Employees are compensated for their time.

With responsibilities of the employees established, thanks to the policy manual, it freed West to work on the chain's big picture—a master budget plan, sales projections for each store, and supervision of the buyers. He meets at least bi-weekly with store managers and buyers, enabling him to fine-tune sales goals, discuss buying strategy, and adjust product mix.

West is quick to point out that things did not turn around overnight at Petrie's. From the time he retained the May Co., it took several months just to initiate the chain's new direction. "It really took a whole year to get everything straightened out," he noted. "Then it was another six months before the results indicated if we were making any progress."

For West, proof of the pudding (CONTINUED ON PAGE 253)

## Tip: 'Never Get Too Comfortable'

are the products they sell and management," he said. "And management is the key. We're in an era now in which management has to know where the business is at all times."

By keeping close tabs on its inventory, sales, expenses, etc., Margolies says retailers can easily recognize some of the danger signals which indicate problems—bills not being paid on time, too many outstanding accounts receivables, overgrown inventory, or being out of stock too often on too many key items. "If income isn't coming in at the same ratio as it was the year before," said Margolies, "then a businessman should know he's in trouble." Part of a management consultant's job, according to Margolies is to help a firm establish a system by which it can monitor these vital signs.

When a firm retains the services of the May Co., it is either losing money or looking for ways to make more money than it is presently, according to Margolies. Working directly with

management, May consultants custom tailor a plan for each of their clients.

"We design the project, put it in a manual, teach everyone who will be involved in the plan, and implement it with management," said Margolies. "If, after 60 days, they have a problem with something we worked on, we send someone to fix it. Then after a year's time, we contact them to see if everything's running smoothly."

Because of their limited supply of capital, small businesses are much more vulnerable to failure than bigger firms, Margolies pointed out. His advice to the small businessman is to be ever vigilant, especially during recessionary times.

"Now is not the time to slack off," he said. "You must never get too comfortable with your business. You must pay total attention to it. And that means 60 to 70-hour weeks for most small, independent businessmen."

"They'll stick with you," he said. "Remember, though, they can't help you in sales. Inventory is the key. My advice to anyone thinking of hiring a consultant is to get a quote for their services up front. Then lay out your problems and let them tell you what they can do."

The sporting goods industry, unfortunately, has more than its share of floundering businesses. In fact, Dun & Bradstreet's report on business failures notes that sporting goods retail outlets have the highest rate of failure per 10,000 businesses. That statistic doesn't surprise West.

"Many fail because they're owned and run by ex-athletes, ex-coaches or sports enthusiasts, who have no actual business experience or knowledge," he observed. Although West admits to being "sort of an ex-jock," he feels he's survived by "listening to the experts" and "using logic, which is as important as any schooling." Having listened and learned so well for the last 25 years, West now works part-time as a business consultant.

Petrie's, meanwhile, is back on its feet, and looking to help itself now. West and his partner, Williamson, hope to open three new outlets by 1985.

### Petrie Sports

Continued From Page 125

came in Petrie's ability to reduce its inventory. This year, for example, the chain had an average inventory reduction of 16 percent from last year.

West gives the May International Co. high marks for the assistance it gave Petrie's. Though a consultant's fee is not cheap—it cost Petrie's \$20,000 to retain May—West found it money well spent.