



FEBRUARY 2002 NEWSLETTER

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BRIGHT IDEAS:

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Instead of our usual list of ideas this month, we decided to use the newsletter to explain a significant policy change for Other Mothers stores. For some time we have been concerned about the profit margin and cash flow of some stores. While it's generally true that higher gross sales means higher net income, some expenses also increase with gross sales (payroll, merchandising costs, cost of goods). So, increasing sales (through advertising, low prices, friendliness, garage sales, and keeping your store nice) is only half the story. As Cole has often said, the other half is keeping costs in check. After the store is open, most of us can't do anything about rent and utility costs, but something can be done about the cost of goods. I knew that for several years my niece Sherri has been paying a lower percentage for merchandise than we have, so I called her to ask about her experiences with this. She indicated that not only have their stores continued to thrive in the face of serious competition, but they have grown and maintained a healthy cash flow.

We have made new trade-in work slips for you to use. For now, let this sheet double as a policy sheet. We have experimented with new percentages in the Valley Other Mothers. To our surprise, we have not had a single complaint! No announcement of our new policy was made to our customers. We hand customer the two-sided trade-in/ policy sheet when they bring in their trade-ins. Old customers do not appear to be concerned by the small percentage change, new customers assume that it's the way it has always been done. We keep a separate explanation of why we changed the percentages by 5% (5 cents on the dollar), but after a month we haven't had to distribute any of them.

Sherri stated that we need to make another "leap of faith": along with the new lower

percentages, offer cash or credit on all items (not just name brands). Her reasoning is that if it is not worth taking for cash, it is just not worth taking at all. As she said, the non-name brand and less expensive items sell just as well as the name brands simply because they cost less. She maintains that you lose much of your best source of supply by not giving customers the option of cash or credit. Frankly, I was a little nervous about this myself, but haven't noticed a big increase in customers wanting cash. If they do take cash it's at a lower rate anyway. I have done a little selling job for those trying to decide, by saying "You know, not only is the exchange credit 15% higher, but you also save another 8% on the sales tax when you purchase on credit." (This would only work in the areas that don't have to charge sales tax on purchases made with exchange credit.) Another small change we made was not to announce the retail price of their goods. We simply say, your exchange credit is \$\$\$\$. If they are ask for cash we just say, "your cash would be this, but if your taking exchange credit, it would be this."

We would like all stores to implement these changes as soon as possible. You can always say it was a nationwide policy change (we'll be the bad guys), but honestly, I think the only thing you'll notice is more jingle in your pocket! Feel free to make some exceptions in the amount you pay for large furniture or large toy items that you might really want. "Well, normally we would pay you \$\$\$ for your crib, but we can make it \$\$\$\$ if that helps." I thought I would have to make a lot more "exceptions" (50% instead of 45%), but it hasn't turned out to be true. Also, if you are not quite comfortable with changing what you pay cash for, you can still say "but we only pay cash for name brands and furniture items". Just consider Sherri's advice.

**Our certificate this month goes to Sherri.
Thank you for your help!**