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New NC Laws Explained

A number of laws become effective in North Carolina on December 1, 2006 and January 1, 2007 that will have an impact on retailers in North Carolina. Below you will find a short summary of these laws. Please do not hesitate to contact NCRMA for additional information on compliance with these laws.

DECEMBER 1, 2006, EFFECTIVE DATE

1) State Sales and Use Tax Reduced by ¼% — Effective December 1st, the state sales and use tax rate is reduced by ¼% from 4.5% to 4.25%. The state sales and use tax rate is slated to drop to 4% on July 1, 2007.

2) Keg Purchase-Transport Permit – All retailers selling kegs in quarter-barrels (pony kegs) or half-barrels (full keg) of malt-beverages are required to issue a purchase-transport permit to purchasers of these items. The retailer is required to maintain a copy of this permit for a period of ninety days unless someone requests the retailer to maintain these permits for a longer period of time. The purchaser's required information must be entered onto a form provided to the retailer by the ABC Commission. Purchasers of kegs are required to display a copy of their purchase-transport permit to law enforcement upon request. A first violation by the retailer constitutes a warning rather than a violation of ABC law that could affect maintenance of the alcohol permit.

3) Prohibition Against Alcohol Retailers Employing Certain Employees — Effective December 1st, retailers that sell beer and wine are prohibited from knowingly employing someone who has been a past holder of a beer and wine permit whose permit was revoked within the past eighteen months and the person was the permit holder at the location where the person would be employed. For example, John Doe is the permit holder of record for XYZ store but XYZ store's permit to sell beer and wine is revoked by the ABC Commission. XYZ cannot knowingly employ Joe Doe in the store for 18 months and continue to sell beer and wine.

4) Authority to Embargo Food — Effective December 1st, the Secretary of Environment and Natural Resources or a local health director has full power to exercise embargo authority concerning food or drink that is misbranded or adulterated if the location where the food is located is regulated by the Department of Environment and Natural Resources or there is a threat of the spread of communicable disease. The Secretary of Environment and Natural Resources or a local health director does not have authority over any area of a store that that is under inspection or otherwise regulated by the North Carolina Department of Agriculture and Consumer Services or the United States Department of Agriculture. If the Secre-

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New NC Laws

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tary of Environment exercises this authority the Secretary must immediately contact the North Carolina Department of Agriculture. The purpose behind this law was to allow the State to move quickly in the time of a disaster rather than relying on what would certainly be a short-handed Department of Agriculture and Consumer Services staff.

5) Seat Belts Mandated Throughout Vehicles — Effective December 1st, every passenger in a vehicle must use a seat belt when the vehicle is operated on the highway. A violation will result in an infraction and a \$10 fine for a passenger in the back seat while a passenger in the front seat will also receive an infraction and pay a fine of \$25 plus court costs of \$50. A vehicle cannot be stopped just for the failure to wear a seat belt.

6) Cell Phone Ban While Driving for Those Under 18 Years of Age — Effective December 1st, no person under 18 years of age may use a mobile phone or technology provided through a mobile phone while operating a vehicle. The prohibition does not apply when the mobile phone is being used to call an emergency response

operator, a hospital, physician's office, a health clinic, a public or privately owned ambulance company or service, a fire department, a law enforcement agency, a parent, a legal guardian or a spouse. A violation results in an infraction and a \$25 fine but does not result in license points, insurance surcharge, or court costs.

JANUARY 1, 2007, EFFECTIVE DATE

1) Minimum Wage Increases to \$6.15 — Effective January 1, 2007, North Carolina's minimum wage for all workers increases from \$5.15 to \$6.15 per hour.

2) Tax Credit for small business employee health benefits — Effective January 1, 2007, a business with 25 or less employees is eligible for a Credit. A small business that provides health benefits for all of its eligible employees during the taxable year is allowed to take up to a \$250 tax credit per employee to offset its costs in providing health benefits for its eligible employees. An employer cannot take a tax credit for someone making in excess of \$40,000 annually. To be eligible to take the tax credit, the employer must pay at least (50%) of the premiums for health care coverage. If the employer is an individual who is a nonresident or a part-year resident, the taxpayer must reduce the amount of the credit by multiplying it by the fraction calculated under a formula contained in G.S. 105-134.5(b) or (c). If the employer is not an individual and is required to apportion its multi-state business income to North Carolina, the taxpayer must reduce the amount of the credit by multiplying it by the apportionment fraction used to apportion its business income to this State. This tax credit is slated to sunset on January 1, 2009. □



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Gen Y Most Influential Consumer Group

Move over boomers. Gen Y is moving in. That's the analysis of online marketing expert Kelly Mooney.

Ms. Mooney, who is the President and Chief Experience Officer of Resource Interactive and co-author of *The Ten Demandments: Rules to Live By in the Age of the Demanding Customer* (McGraw-Hill, 2002), told USA Today that at 82 million strong, those born from 1982 to 2000 are influencing family purchases at a very high rate.

In clothing for example, Gen Y members between the ages of 13 to 21 are said to influence 81 percent of household purchases. The influence percentage for car purchases is 52 percent.

Kit Yarrow, a consumer psychologist and professor at Golden Gate University, said it shouldn't be surprising these young consumers have an "equal vote in the look and style of the family."

"Gen Y parents tend to be non-authoritarian and value their friendships with their kids," she said. "These parents also prize their own youthful, 'kid-like' qualities."

When it comes to actual purchases, Ms. Mooney said Gen Y consumers avoid the middle of the road. They rarely purchase anything that is not either on the high or low end of the retail scale. Retailers that straddle the area between the poles are likely to get lost when Gen Y consumers are considering where to buy.

Jennifer Black, president of Jennifer Black & Associates, agrees and points to the success of retailers such as Abercrombie & Fitch and Forever 21 to illustrate the polar opposite buying habits of Gen Y consumers.

"The moderate segment is getting more squeezed," said Ms. Black. "Girls want to buy something that's special vs. something that's kind of in the middle."

A case in point, Micky Osterman, a

Gen Y's retail favorites can differ markedly from those of their elders. Jupiter Research surveyed consumers who bought products or services online in the past 12 months and found people ages 18 to 24 favored the websites for Best Buy, Circuit City and eBay more than consumers as a whole.

16-year-old high school student from Columbus, Ohio, is partial to high-end brands. "I want a ... midnight blue Mustang convertible. I want to buy all my underwear at Victoria's Secret. I want to shop at Polo (and) The Limited. ... I would love a pair of Dolce & Gabbana sunglasses. And a Coach purse."

Gen Y's retail favorites can differ markedly from those of their elders. Jupiter Research surveyed consumers who bought products or services

online in the past 12 months and found people ages 18 to 24 favored the websites for Best Buy, Circuit City and eBay more than consumers as a whole. And they were less likely to shop at the Macy's or J.C. Penney websites than other consumers.

They also like products that let them show some individuality. Kenny Warren, a 20-year-old student at Southern Adventist University in Tennessee and a participant in Mooney's survey, says he got his 1993 Honda Accord in part because the brand had "credibility" but also because Honda makes it easy to accessorize cars. He's lowered the car, put on new rims and wheels and changed the exhaust, among other things. And though he has three computers and a webcam, Warren says he'll shop at thrift stores as long as it "makes me look good." □

Source: www.retailwire.com

What (Gadgets) Women Want

It's time to dispel some myths about women, according to Nichole Monroe Bell of The Charlotte Observer.

For one, she writes, while many girls are very fond of diamonds, most would prefer to have a plasma TV instead, according to an Oxygen Media survey.

For another, women may have a thing about shoes but, given the choice between a pair of designer brand shoes and a top-of-the-line cell phone, most females are taking the phone.

Technology, Ms. Monroe Bell writes, is not just a "guy thing." Many women want the latest tech toys and gadgets. They are knowledgeable about what they are looking to buy and they're not willing to suffer retail



employees (see men) who treat them in a condescending manner. □

Source: www.retailwire.com

Internet to Influence One in Four Holiday Purchases

From browsing to buying, the Internet will play a larger role than ever in holiday shopping this year, according to a new survey conducted for the National Retail Federation by BIGresearch. Shoppers, who are expected to spend \$791.10 each this year on holiday merchandise, said they will use the Internet for an average of one-fourth (28.9%) of their shopping.



“While many shoppers plan to purchase holiday gifts online this year, others are using the Internet to look for gift ideas, research products and compare prices before heading to the store,” said Scott Silverman, Executive Director of Shop.org, the online retail division of NRF. “Retailers’ ongoing efforts to make their stores and websites work hand-in-hand will create more sales and happier customers.”

Though nearly half (47.1%) of consumers plan to make at least one holiday purchase online this year, up from 36 percent three years ago, many will also use the Internet to browse before heading to stores to buy. According to the survey, most consumers (88.7%) regularly or occasionally examine products on the Internet before buying in a store.

When it comes to researching merchandise, electronics are the most popular searches; more than one-third of online shoppers (39.3%) said they have browsed for electronics online before buying in a store within the last 90 days. Other popular merchandise that shoppers have recently studied online before buying in a store is apparel (20.0%), appliances (19.6%) and home improvement items (18.0%). Consumers also said they have researched medicines, vitamins and supplements (16.2%) and shoes (16.1%)

online before purchasing in a store.

“Companies view the Internet as a marketing opportunity, not only a sales channel,” said Phil Rist, Vice

President of Strategy at BIGresearch. “Retailers see their websites as the first connection they make with many consumers and will be sprucing up their sites to give holiday shoppers ideas and information on popular gifts.”

The survey found that shoppers use a variety of websites to research and compare products. Many consumers said they begin their online research at Google.com (23.6%) though Yahoo.com (7.2%), Amazon.com (5.5%) and eBay (3.7%) were other popular places for shoppers to begin searching for merchandise availability, prices and product specifics. □

Source: The survey, which polled 7,623 consumers, was conducted for NRF by BIGresearch from October 4-11, 2006.

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Past Chairman Remembered John W. Pope 1924-2006

John Pope, retailer, philanthropist and civic leader, died peacefully at home in Raleigh on August 19, 2006 after a battle with cancer.

In 1949, Mr. Pope began his career as a retailer with five general merchandise stores, originally started by his father. The stores, located in small eastern North Carolina towns and headquartered in Fuquay, became incorporated as Variety Wholesalers, Inc. in 1957. As the Chairman and CEO of Variety Wholesalers, Mr. Pope developed the company from its original five stores to over five hundred retail stores, serving communities in over 14 states and providing over 8,000 jobs. Under Mr. Pope's leadership, Variety Wholesalers' major acquisitions have included Eagle Department Stores; Value-Mart Stores of America; Super Dollar Stores; Maxway Stores; Allied Jr. Department Stores; Bargain Town Stores and Rose's Stores.

Mr. Pope served as Chairman of the Board for the North Carolina Retail Merchants Association from 1969-70. He was also involved with the National Association of General Merchandise Chains, and International Young Presidents Organization and World Presidents Organization, and numerous other business and civic organizations.

Mr. Pope leaves behind his beloved wife of 57 years, Joyce "Joy" W. Pope; children, Amanda Joyce Pope of Citra, FL and James Arthur "Art" Pope of Raleigh; and grandchildren, Joyce Laurene Pope and Earle James Arthur Pope. □

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Retail SnapShots

**Department Stores to Experience
Holiday Resurgence** -- Shoppers will be gravitating back to department stores this holiday season, after several years of opting instead to shop at niche or big-box stores. Industry consolidation and increased efficiency are actually helping to fuel the return to department stores, industry analysts say. *ABC News*

A Whiff of Marketing -- Consumer goods companies including Mars, Pepsico, Kraft Foods and Procter & Gamble are incorporating fragrances into their marketing programs, stores and packaging to capture the attention of their customers. According to experts, scent technology is most effective when it's part of the positioning of a brand. *Advertising Age*



New Sites Offer Plenty of Shop Talk, But No Products -- Just in time for the holiday season, a new crop of social/shopping, word-of-mouth Web sites have launched for users to share gift ideas, talk about trendy products and post links to favorite e-tail areas. But analysts say it's too soon to know whether these sites, whose income comes from a mix of fees from vendors and retailers, display ads and selling-trend and market data from users, possess business plans with staying power. *The New York Times*

Survey: Online Shopping Gaining Satisfied Customers -- Internet shopping is continuing to make inroads against conventional in-store buying, according to a new survey. The study by Deloitte & Touche USA shows online retailers are acquiring new customers at a 15% annual rate vs. 2% for stores. Additionally, 55% of digital shoppers prefer the experience, as opposed to 25% of conventional buyers. *Internet Retailer*

Tech-Savvy Thieves Drive Up Shoplifting Losses -- Losses from retail crime jumped from \$31 billion in 2003 to \$37 billion in 2005, according to a University of Florida study, and almost half of that can be blamed on employee theft. But professional thieves, many of them using sophisticated new methods, also are responsible for a big part, says Joseph LaRocca, vice president of loss prevention at the National Retail Federation. *The Wall Street Journal*

Retail Sales Rise 6.3 % -- Shoppers around the country breathed a collective sigh of relief as gas prices fell last month, spurring growth in traditional retail sales categories. According to the National Retail Federation (NRF), retail industry sales for September (which exclude automobiles, gas stations and restaurants) rose a strong 6.3 percent unadjusted over last year and increased 0.7 percent seasonally adjusted from August. The gains, which led third quarter sales to rise 6.3 percent over 2005, were stronger than NRF had been expecting. *NRF*

Holiday Countdown! Six Critical Questions That Could Make or Break Your Season!

Are you ready for the holidays? When you ask people, especially retailers, if they are ready for the holidays the question is usually followed by a groan or skepticism at best. It's almost like this season of the year creeps up and catches people by surprise.

I often think that people visiting the U.S. must think we are a strange group of people as they shop in our stores in September and see ghosts and goblins with angels and baby Jesus in the same seasonal aisles of our favorite stores. The question of whether retailers rush the season has always been up for debate. I believe retailers are gamblers. Many retailers live by the motto of, "I can always pull the year out at the holidays!" That's like saying I probably can lose weight if I tape my mouth shut but it isn't very healthy. Neither is waiting till the last quarter of the year hoping that the holiday season will make your registers ring off the wall.

Let me share six critical questions business owners should be asking themselves about their business, any time of the year!

I. The Right Merchandise:

Having the "right" merchandise is the foundation of business success. Having the "right" merchandise means that you know your customer's wants and needs and you buy accordingly. I have consulted with many clients over the years that have a hard time understanding that buying what they like is not necessarily what the customer likes.

Can you describe your average customer in depth? Do you know specifically what they buy, why they buy it, what they like about it, how often they shop, what they would like more of and if you could find it, what one thing would they wish you would carry?

I believe that businesses can exceed sales plans if they would just encourage employees to increase UPTs, or Units Per Transaction. In order to do that, a



business must have merchandise that compliments each other. Rarely should a customer ever leave your business after purchasing only one item. If an employee is sharp, they can anticipate another item that the customer could use, if they just think about it. If a customer buys a:

- Dress shirt... then how about ties, cuff links, sport shirt
- Shoes... then how about socks, hose, handbag, leather protectant
- Luggage... then how about travel alarm clock, ID tags, jewelry cases
- Golf shoes... then how about golf balls, golf shirt, golf glove

I know this sounds elementary, but how many times have you come to a check-out and the employee says, "Did you find everything OK?" I really shocked my local grocery store person and responded, "Why, did you lose something?" If the employee is sharp, they can glance at what the customer is purchasing and make a quick recommendation of something the customer might have missed.

I remember purchasing a smoke detector at a big box home store and the employee said, "Do you have the 9V batteries to go with that? Duh...you mean they don't put those in the box? I added those to the sale!"

2. The Right Time:

You've heard it said that timing is

everything, and it is so important in retail. Most retailers will agree that managing their ordering and receiving process is critical to a successful business. Dealing with late shipping, incomplete orders or even cancelled orders can have a huge effect on the appearance of inventory in a store. These delivery challenges can result in customers complaining that what they came to buy was not in stock.

Customers are now more aware than ever as to what the newest, hottest items are and who does or does not carry them. They also know that if you don't carry them, they are only a "Google" away from finding it elsewhere.

3. The Right Quantity:

Have you ever heard the quote, "Don't go shopping when you're hungry?" There is truth in that statement when it comes to buying merchandise. Just like we are apt to over buy at the grocery store when we are hungry, the same is true when we go to market without a plan, and shopping *hungry*. If you add over eager vendors to the equation you will find yourself overstocked with something you ordinarily never would have purchased. Having the right merchandise at the right time and in the right quantity should be part of a well constructed buying plan.

Part of the fascinating job of buying merchandise for a store is testing new merchandise. Some customers want the newest, cutting-edge items and are even willing to pay "full price," for them. The talent of a good buyer is knowing how much to buy initially as well as the re-order options in case the item is a huge success.

4. The Right Price:

So much emphasis is placed on pricing in the market place. I believe that if the customer sees "need and value" the price is secondary. If a customer is

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Holiday Countdown

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looking to buy a Mercedes-Benz car, I highly doubt if they care whether or not it is on sale. They are buying a perceived value. If a customer is buying a fine wine, the taste and perception will probably precede the price of the wine.

Now you may not be selling cars or wine but there is a pricing lesson here. I have always taught clients that their businesses should have three "types" of goods within their inventory; basic goods, fashion goods and promotional goods. Basic goods are your bread and butter items. They are the items the customer comes into your store looking for. The pricing on these items needs to be competitive but not necessarily on sale. Some companies call these items, value-priced.

The next classification is fashion goods. These items are unique items that the customer may not see elsewhere. They are usually stocked in smaller quantities and because they are unique, the retailer should opt for a higher mark-up on these items. A regular customer may not choose to buy the "fashion goods" on a regular basis, but they know that the retailer is savvy enough to carry unusual and trendy merchandise.

The last classification is promotional goods. Customers will always want a deal. Retailers have to "buy" for promotions and not assume that their sale items will come from items that were a bad buy. The customer appreciates when the basic goods they buy on a daily basis are on sale once in a while.

The retailer is successful when the customer comes in and buys a regular "basic item" and just has to have a "fashion item," and then sees a "promotional item" and adds that to the final purchase. If the merchandise had been purchased wisely and the pricing has been well thought out, the final sale of all three of these items to the customer should provide a nice profit.

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- *The Charlotte Observer*

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5. The Right Location:

Visual displays can be your silent salesperson. Do you change your visual displays frequently? Do you know what your sales per square foot are and does your best selling merchandise command the prime real estate in your store? Is your signage inviting and informative? Do you have enough lighting to attractively highlight the merchandise? Is your merchandise stocked in such a way to say to the customer, "we are in business" or does your inventory look as though you are waiting daily for new shipments to arrive?

6. The Right Salesperson:

So far you know you have the right merchandise, at the right time, in the right quantity, at the right price and in the right location, but do you have the right people selling it for you?

I would suggest you look at everyone who works for you and ask yourself this simple question, "Would I want them working for my competition?" This isn't a joke, it is a fact. If your employees are knowledgeable, friendly, trusting and responsible, you wouldn't want them working for anyone else but you. It is sad that you can work so hard on areas 1-5, but if the

customer is turned off by #6, you just lost precious business.

Customers will shop in your store this holiday season. The customer will make a mental report card of their experience. Did you have:

- the merchandise they were looking for?
- when they wanted it?
- the right size or right amount they needed?

But most of all, they will remember what their experience was like when they traded their hard-earned money for something of value, your merchandise. That experience will come down to the last few minutes they spend with an employee and the relationships that will make them say, "I need to continue doing business here all year long!"

Offer customers what they want, when they want it, in the quantity they want, at the price they want, and wrap it up by a knowledgeable, caring employee and you'll have a customer for life!

Source: Anne Obarski. For more info go to: www.merchandiseconcepts.com or e-mail Anne at anne@merchandiseconcepts.com.

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