

Macro-Managing

"Focusing on Growing Your Business"

GAMA Trade Show 2007

Presented by John Riley

So what is Macro Managing? Lets start with a story.

Let's pretend that everyone attending GTS this year won a special prize an all-expenses-paid cruise to the island of Bahiminibob in the South Pacific. A great prize in and of itself, but when we get there we will also be the special guests on set for the shooting of Peter Jackson's "The Hobbit". So, we're all excited and we go home and pack our essentials for the trip: decks of cards, miniatures, player's handbooks, all the things we need to get through a week. We get to the ship, which is beautiful, and head out to sea. The captain tells us that we should enjoy our cruise as we will be traveling nonstop day and night and will have plenty of time when we reach the island. The first few days are an absolute pleasure. We're having fun playing card games, events, tournaments, but on the third night a sudden squall appears on the horizon. It's a huge electrical storm and the ship is battered by massive waves and lightning strikes. Thankfully, the storm clears the following morning but the captain tells us that the lightning strikes took out our navigations and GPS. But there's nothing to worry about our captain's old-school, and he can navigate by the sun and stars. So we're still on course with only the slightest inconvenience and everyone's still having a great time...until later that night when everyone is woken by a terrible jolt as an iceberg hits the bow. Obviously an iceberg in South Pacific seems a bit odd, but in these days of global warming, not unexpected. Luckily, the ship is well built and although it gauges the hull, those rooms are immediately sealed, nobody is hurt and the ship heads on, albeit at one third her normal speed.

So we head on. But the next day we wake to a loud thumping sound, only to be followed by the emergence of giant tentacles wrapping itself around the ship. Believe it or not, it's a Kraken. Now, we know that Kraken's don't really exist, but since we're all gamers, half of whom are wearing Cthulhu for President T-shirts, a Kraken doesn't seem all that unusual. The Kraken's massive tentacles wrap themselves around the ship, crushing it, as we're all thrown into the water and can only watch in horror as the beast drags the ship down to the depths. There is debris everywhere, and quickly we all band together, grab the largest floating pieces of debris we can find. We lash it together to build a makeshift raft and we start kicking. And surprisingly, it's not too bad. That is until two days later, when the giant squid attacks. Once again, tentacles are everywhere as retailers scream and then are dragged down into the depths. Then that threat is gone too, and with it our raft. The remaining wreckage is barely enough for a man to hold onto, so we each grab something that will float and do our best to stay above water. But we're together, and the time passes, and we get an opportunity to answer some of those questions that always puzzle us, like: Can Superman beat the Hulk? Who was a better Captain, Kirk or Picard? And is Lord of the Rings or Star Wars the better trilogy? And surprisingly our spirits remain pretty high until the sharks attack. They begin to hit in the morning and continue throughout the day, throughout the evening and through the night. Luckily, the next morning they're gone, and as they leave we realize that the dangers have passed. We've survived. The only retailers left out of the entire GAMA Trade Show are the retailers in this room. You chose to come here this morning and you made the right choice. You of all retailers, survived. Give yourself a big hand!

But now, before we get too celebratory, I've got a few questions to ask everyone. Here's the first question:

Does it bother anyone that we're congratulating ourselves for surviving at the end of our story,

but we're left treading water in the middle of the Pacific Ocean?

Second question. Does anyone remember the last time we were actually heading somewhere during that story?

Does anyone remember the last time we heard from the Captain?

And final question, does anyone even remember the name of the place we were going to?

At first glance I'm sure many of you think that that story is supposed to symbolize our industry, but it's really not. What I do think it symbolizes is what retailers go through over the course of being in business. When you opened your store, you had a goal or destination in mind. Perhaps you planned on making a certain amount of money. You might have planned on getting to a point in your business where you only had to work part-time and could spend more time with your family. Or perhaps you planned on opening multiple stores, or having a regional chain. Whatever it was, you had a goal when you started. But along the way things happen. Disastrous things happened to your store. Things happen to our industry. Things happened that blindsided us and leave us just a little bit less prepared for the next catastrophe. And before long for many of us I think that our "goal" becomes surviving the next week, month, or year. Over the course of time, we lose sight of our original goal, our destination, just like we lost sight of that island of Bihiminibob.

The reason I asked about the captain is I think that the point where we lost sight of our goal in the story is the point where we lost the Captain. It is essentially the Captain's job to keep us moving toward our goal, to keep one eye on our destination, and to monitor the journey and make changes accordingly. Essentially, that is what Macro Managing is all about. It's the art of being the Captain of your own business.

Now I know a lot of you are sitting there saying, "I am the Captain. I'm also the entire crew, a one-man show." Like everyone here, I'm used to wearing many hats. But the problem is that while we're dealing with customers, with taxes, with insurance, with restocks and purchasing decisions, we often forget to be the Captain. And being the Captain is the singular thing you can do to improve your business.

So if the process of Macro Managing is the process of being the Captain, what does that really mean?

Well, the Captain's job is essentially to determine where you're going, what your resources are, what the environment is like, and then plot the best course to get to that destination and monitor that course and make any necessary adjustments. Now, a nautical captain obviously has tools to help them out with this. He has charts. He has instruments. He has navigation equipment. We have the equivalent in our business, all of which are rolled up into one tool known as a Business Plan. Now I know when I say those two words probably half the people in this room rolled their eyes into the back of their heads. And that's because the term Business Plan tends to have the negative connotation of a thousand page, War and Peace-like, document that is not only intimidating, but something only used by major corporations. But at its simplest, a business plan is a short document, maybe 12 to 20 pages that summarizes who you are as a business, where you're going, and how you're going to get there.

I could talk for the next three days on business planning. I know that, because I have. But we've only got 50 minutes, so what we're going to do right now is cover the essentials of what the

business plan is, and more importantly, why the process is important. There is a great outline in your handouts that will run you through a sample business plan appropriate for our industry that you can refer to later, as well as resources for getting free help.

There are many different outlines for Business Plans, but they all contain these few core components. Depending on the outline you may see them broken out into a few more sections, but these are the major parts that you want to think about:

Mission Statement:

The first section is going to be the Mission Statement. Essentially, this is your goal stated in a few short sentences. Simply put, where do you want to go? An example might be: “ABC Games is looking to open a regional chain of retail stores in the Northeast US.”

Introduction/Business Profile:

This is essentially a recap of who you are as a business, what your accomplishments are, what your strengths and weaknesses are, and the direction you’re moving in. You can view this as the essential information you would need to tell someone about your business if you only had five minutes to educate them. This is actually much harder to do than it sounds and is a great exercise! The key here is being specific and honest about your strengths and weaknesses.

Market Analysis:

Market Analysis is where things start to get tricky. There are three main areas to look at when doing your market analysis:

- **Your Direct Market:** The state of your local games market, which products are popular, which aren’t, what the spending patterns of your customers are, how far they travel, what age groups your customers fall into, the educational background of your area (is it a college town?), what are commuting patterns, are you near anchor stores that draw traffic, etc...
- **Your Indirect Competition:** Comics and games stores also have to look at the larger market of entertainment. Virtually everything that your customers can do to entertain themselves other than by playing games is your competition. Is online role playing big in your area? Paintball? Bowling?
- **Your Direct Competition:** The most obvious of the three areas is actually the least important. When examining your direct competition the most serious mistake you can make is not give them enough credit for their strengths. You need to examine their strengths and weaknesses, but mostly their strengths. Their customers are going to them for some reason, you need to address it.

Marketing/Operational Plan:

Essentially, this is the step where you take your goals from your Mission Statement, look at your business from your Business Profile, look at the conditions of your market and direct and indirect competition, and then taking all this into consideration decide how you’re going to accomplish these goals.

The key thing here, and really the entire value of going through this process, is to be as specific as possible. Let’s say your goal was to open a regional chain of stores. Here’s a list of questions you would need to answer:

- How many stores are you opening?
- Where would they be located?
- When are you opening each one?
- In what order would they be opened?
- How would they be financed?
- What financial milestones would you need to reach to open each store?
- How will you staff the stores?
- How will you hire and train managers?
- What will be your time-table for hiring staff for new stores?
- Will they have the same product mix? If so what?
- Will they have different product mixes? If so what and why?
- Will they be designed the same? Different? How?
- Etc...

In general you need to answer every possible question of how you're going to make this happen by backtracking each step and assigning a time for each step to happen. In essence, if you were handing this off to somebody who didn't know anything about your business, you'd want them to basically be able to execute your plan for you. That's the level of detail you're shooting for.

How This Worked for Our Store:

So why do a Business Plan? Let me tell you our recent experience.

We did our last Business Plan at the beginning of 2006. We had just come off a number of consecutive successful years with double digit gains, and we picked two simple goals:

- Another 10% increase in gross sales
- Further reduce operating expenses

Reducing operating expenses is something we try to do every year, so this was just an issue of continued refinement. We picked a few areas to concentrate on for that particular year.

But increasing our gross sales another 10% was something we had to plan out. We began by looking at our historical product sales for the past few years. We had experienced some great gains in a few product areas that were now relatively "mature", and we didn't think we could expect to reap this next 10% from any one area. The plan we came up with was to gain a few points across the board, with the majority coming from miniatures lines which we still felt we had room for growth in. We planned to increase our overall gaming presence by formalizing our events and leagues, doing more outreach to new players, and designing events and leagues especially for younger players and newbies.

We broke our plans out months in advance, carefully scheduling everything to achieve maximum exposure and support for each game. We designed campaigns, leagues, and events. We built terrain, we created scenarios. We had everything in place to generate excitement. And when we launched it all, something totally unexpected happened. Nobody came.

Nobody came and we couldn't figure out why. So we went back to our plan, and we checked each item off like a programmer checking code trying to determine at what point the plan went wrong. We interviewed our customers, and after about three months we found out that although

everything we had designed and implemented was great, the communications systems that we were using to get all this information out there didn't work anymore. It's not that people didn't want to come to these things, they just didn't know about them.

The result was that we spent the last four months of 2006 revising all our in-store communications systems, not just those for games but those for comics as well. We redid our emails, sign boards, web sites, brochures, business cards, etc.... It took us months to get it working just right.

The result? We didn't hit our 10% increase in 2006, not even close. But importantly, by backtracking through our plan to find the point where it wasn't working, we were able to fix something that we didn't even know was holding us back. We launched all our new communications on January 1st this year and I'm happy to say sales were up 21% for the first quarter, making it an excellent investment of time.

Time Management:

So we can see that the role of the Captain is one that we should be in, and why it's effective for us to write a Business Plan and plan for the success of our store. So what's stopping us?

Time. The biggest obstacle we all have is time. We all have to run our stores, we all have to deal with customers, and we're all working enough hours already. So where do we get the time?

Well, I looked into that a lot. And for the most part, Time Management programs are all about efficiency. And that's not a bad thing. Efficiency is great when aimed at the proper tasks. Tasks that have to be regularly accomplished should be done as efficiently as possible. Doing the ordering, paying the bills, vacuuming the store. These are all things that should be done well in the shortest amount of time possible. But the problem is, that when you do all these things faster, you still seem to fill in the freed-up time with more of the same tasks. And quite honestly, no matter how efficient you are at vacuuming, it doesn't help grow your business.

This was my problem until I hit upon Stephen Covey's First Things First program. Covey interviewed thousands of successful executives and found that their success wasn't so much about how efficient they were as it was about what it was they spent their time on. Covey broke down all tasks as having a combination of two characteristics. They could be Important and/or Urgent:

	Urgent	Not Urgent
Important	1. Important and Urgent	2. Important but Not Urgent
Non-Important	3. Urgent but Not Important	4. Not Urgent and Not Important

What Covey found was that the majority of people spent about 85% of their time in Quadrants 1 and 3, things that were either "*Urgent and Important*" or "*Urgent and Not Important*", with the rest kind of split between 2 and 4. Dealing with things that are urgent has a kind of self-rewarding feeling. It feels good to get urgent things done, to be busy. This is the same kind of satisfaction that people get from finishing a task, then writing it on their to-do list and crossing it off. You can get addicted to the feeling of "accomplishing things".

But Covey found that very successful people spent over 80% of their time in quadrant 2, things that were "*Important, but not Urgent*". They spent the remaining time in quadrant 1, things that were "*Important and Urgent*", and delegated anything else they had to.

The reason? Because quadrant 2 actions are the actions that grow businesses. These are the things that you know would benefit your business if you could just find the time to do them. Business Planning is a Quadrant 2 activity. It is planning for your business' success.

You can use efficiency and delegation to free up Quadrant 2 time. After all, while you may be the absolute best person on staff at cleaning your bathroom, will that use of your time really grow and improve your business?

Captain Your Ship

These then are the three tools of Captaining your business, good Goal Setting, Business Planning, and effective use of your Time on activities that grow your business. So what's holding us back? For most of us, it's guilt.

As the Owners, most of us feel that we have to work harder than all our employees. We feel the need to be in control of every aspect of our operation. We have a hard time delegating tasks that we've always done. We don't feel that anyone can possibly do the same type of job that we could. We also sometimes have the fear that our employees might think we don't "work hard enough" if we're off doing something as odd as business planning.

But while anyone can be taught to do an inventory, or clean the bathroom, or provide good customer service, you are the only person in your store who has the ability, knowledge, and talent to grow your business. After all, the ship's Captain may be able to make her rails shine better than any sailor, but wouldn't you rather he spent his time on the bridge guiding the ship's voyage? Take some time every day to get used to getting in this role, and you'll find your business moving forward slowly but surely. And the more time you can invest, the farther you'll go.

Resources:

Business Planning: The Small Business Administration offers FREE Business Planning assistance through their Small Business Development Centers, which are located on college campuses throughout the United States.

The Office of Small Business Development Centers (SBDC) provides management assistance to current and prospective small business owners. SBDCs offer one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations. The program is a cooperative effort of the private sector, the educational community and federal, state and local governments and is an integral component of Entrepreneurial Development's network of training and counseling services.

You can find a complete listing of SBDC's in your area on their website, as well as a huge amount of free resources. The website can be found at <http://www.sba.gov/index.html> Just click on "LOCAL RESOURCES" and then "Small Business Development Centers" to get all the info.

Business Plan Outlines:

You can also find quite a few free business plan outlines on the SBDCnet website as well. Go to: <http://sbdnet.org/SBIC/bplans.php> and you'll find a list of different business plans and outlines.

Sample Business Plan Outline for Games Stores:

Outline:

- Executive Summary
- Business Description & Company History
- Products & Services
- Market Analysis
- Target Market
- Competition
- Marketing Strategy
- Management
- Financial Statements

- Executive Summary

Basically, in the Executive Summary you have one paragraph to write who you are, what you're doing, and what you want. Sounds simple, right? Well, it's usually boiling things down to their most basic elements that's hardest. Here's an example:

"ABC Comics & Toys is a 1,200 square foot retail store located in town, state, that specializes in the sale of comic books and limited, vintage, and collectible toys. In operation since 2001, ABC had sales of \$100,000 in 2005 and is looking to increase sales 10% in 2006 primarily by line expansion. ABC is seeking a \$5,000 credit line to enable them to become exclusive dealers of x,y,z product lines for the area."

Can you boil down your business to three sentences? I would suggest that it might be the most important thing you can do for your store's future. Here's another question: "If there was only one thing you could work on this year, *the one thing* that would have the greatest impact on your business, what would it be?"

Business Description & Company History

This is a short section, usually a page or two, and a good one to ease into your Business Plan with. Basically, you need to describe your store, both in terms of how you experience it and how your customers do. Here's some questions to ask yourself:

- When was the store opened?
- Where are you located?
- Why did you pick this location? Advantages/disadvantages?
- Do you own or rent?
- What is the business structure (sole proprietorship, corp., S corp)?
- What is your main business function (comics, games, toys)?
- What awards have you won?
- What is your mission statement?
- What are some major milestones in the life of your business?

Here's a chance to remember what sets you apart. Why is your store so special? What are you known for? What about your store's mission sets it apart? But remember, this is about your store, not you. If what sets you apart is that, "everyone loves me and that's why they come here," then your store doesn't exist when you're not there. And that's not good.

Products and Services

Go to your POS system, or cash register receipts, and do a survey of how each of your product categories performed last year. Here's some of the things you'll want to look at:

Product	Gross Sales	% of Store Sales	Square Footage	% of Store Square Footage	Sales per Square Foot	Profit Margin	Actual Profit	Inventory Level	Inventory Turn
Product #1									
Product #2									

If you have multiple years worth of records that's even better as you can include the changes in gross sales from year to year and the percentage change. This table can tell you some very useful things, some of which you might not want to hear. A quick look will tell you which products are performing for you and which aren't. You'll see which are sliding in sales, which are growing, which are justifying their floor space, and which

aren't, and you'll see which ones justify the amount of inventory you have in them. Remember that a good rule of thumb is an inventory turn of 5 or 6.

For example, let's say that your back issue sales are \$10,000 a year and they have a profit margin of 60% because you buy such huge collections. That sounds great and will help pay the rent. But what if as a percentage of your store sales they are only 5% of sales yet they take up 40% of your square footage? Is that really efficient?

Of course the opposite is true as well. You may find that you do a very large percentage of your actual profit in comic books, but that they only take up a small percentage of your floor space. Perhaps this is an opportunity for expansion.

Now that you've done your survey, it's time to write a description of each product category that you examined. Briefly describe what each category is so that someone unfamiliar with your business can understand it. Then you can analyze each category's strengths and weaknesses using the information from your survey. Besides the items you already evaluated, you may want to look at things such as supply schedule, average price point, prospects for growth of the category, shelf life of the product, perpetual vs. perishable inventory, required inventory amounts, ordering windows, etc... And of course, if your store has a particular strength or weakness in each category, here's where to note it. Basically, you want to take a long hard look at what you're going to be putting your time, effort, and money behind.

The last thing you want to do once all this information is compiled and examined is determine what exactly you're going to do with it all. What categories are you looking to expand? Contract? Give more/less floor space? How are you going to do these things?

With your Products clearly defined, it's time to discuss your Services. What do you do for your customers that add to the experience of coming to your store? This is the place to mention newsletters, custom ordering, clubs, events, tournaments, workshops, signings, seminars, grading and appraisals, and anything else you do for your customers that's basically a value-added experience. This may be what sets you apart from all your competitors and it's a good idea to really think about this area as it's the one area you may be able to expand on the most with the least cost.

Market Analysis

- Target Market & Demographics
- Competition: Direct & Indirect
- Marketing Strategy

So what exactly is Market Analysis? Well, it's as subjective as each person's opinion of what's going on in our market. Is the market for each of your products growing? Do you think that it will continue to grow? Why? What's your local market like? What's happening in your town or city that could affect your business? Is your area aging or is it turning over to younger families? Is industry leaving or developing?

The problem is we can convince ourselves of what we want to believe. Since this is so subjective and industry numbers can be manipulated in many ways, its easy to find an argument that supports what you want to believe. But for the sake of your business you need to determine what's really happening as opposed to what you'd like to happen.

Your Target Market is also tied into this area of the plan. What is your Target Market for the Products that you identified earlier? Is there an age group or demographic that you should be targeting over others? This area of the plan is primarily to inform anyone that is unfamiliar with your business that might be reviewing the plan, but it's always good to look at who your customers really are.

OK, now the dangerous part, Competition. The two points that need to be made about your competition is that there is more of it than you realize and that every single competitor does something better than you. It's far too easy to say, "all my competitors are horrible." But in all honesty, every single one of them has something you don't have. Maybe they have more miniatures, more statues, or more knowledge of card games. Maybe they run more tournaments, or have more room than you. Heck, maybe they just have more time to stand around and talk. Although you may not like the way they run their businesses, it's important to give them credit. For example, if you have room for twenty people to play in your store but your competitor has room for a hundred then he has an advantage in that area. You may not like the way he runs his tournaments or agree with him in any way, but he can fit more people than you can and that's that. If you're looking for financing, a reviewer will give your plan more respect for properly crediting your competitors than by dismissing them.

In your Competition section you should profile all your Direct Competition, being those stores that sell the same products that you do. Include a copy of their ads in the Yellow Pages, website shot (if any), and list their strengths and weaknesses. If they do something poorly you can choose to capitalize on it. If they do something well, you need to either improve in that area or let them have it. Concentrate on the strengths of your competitors rather than their weaknesses. If someone is doing something better than you are, then you can choose to improve in that area and therefore improve your store.

All too often business plans say, "I have no competition." Even if you were the only comic and games store in your town that would unfortunately not be true. In our industry anything that constitutes entertainment is our Indirect Competition and must be addressed in your plan. Bowling alleys, movie theatres, Toys R Us, Games Stop, iTunes, Everquest and a million other venues are all competing for your customer's entertainment dollar. Your job in this plan is to determine how you will convince your customers that playing games is actually their best entertainment choice.

Basically, what Marketing boils down to for us is how do we communicate to our customers and potential customers that they should participate in our hobby. I suggest that you pick up a book by Jay Conrad Levinson who writes the Guerrilla Marketing series of books. These are basically written for small businesses who have to get this message across without spending much money and they'll give you lots of ideas for tools

you can use. Go through a bunch of these books and you're sure to get a tremendous number of ideas to work with. Combine them with the decisions you made in your Products and Services section and you're now in a position to create a focused plan to promote your business, or areas of your business, based upon what products are most important to your long term health.

Some areas that you should address include: How will your store layout and design help to "sell" your store to the general public? How will you use displays/signage? What services, ads, promotions, events, informative materials, will you use to promote gaming? How will you use technology to promote your store/comics/gaming? How will you use your inventory and selection to increase sales? How will you advertise and why? What services can you provide that will differentiate you from your competition?

Management:

The Management section is pretty simple, amounting to little more than brief resumes of key staff, including the Owners, Managers, and any other key personnel (such as might be present in chain stores). Besides including the normal educational and related work background of key personnel, it's important to list responsibilities of each personnel. If you're going for financing banks want to know who the key personnel are and that you have an experienced and stable management team.

Although it's not a necessary part of the Business Plan, being able to include an Employee Handbook that clearly delineates the different positions and responsibilities within your staff is not only a great addition but a great tool for any store. Similarly, a Manager or Staff Training Guide is something that is well worth investing some time in. All these things added as an appendix demonstrate to potential lenders that you're a professional running a professional business. Of course, these are great processes for you to go through regardless.

Financials:

Generally speaking any lender will be looking for three years worth of historical financial statements and two years worth of projected statements, including Profit and Loss statements, Balance Sheets, and Tax Returns. Depending on the lender you may be able to get by with Tax Returns and projected Profit and Loss Statements. The important thing to gain from your financials is to see trends.

For example, it's easy to perform a quarterly review of your financial performance simply by filling out your sales tax (which at least here in NY is done quarterly). At the end of each month review your sales by category for the month and enter those sales into a simple spreadsheet to keep track of sales tax. Once you have a few quarters behind you it's simple to see how each product category's sales compare with the previous months and the same month from previous years. By tracking sales in this manner you can see trends establish that you might not be able to see through casual observation. Combine this information for a few years and you can literally see your product mix changing over

time. You can then use this information as both a barometer for your store's health and also to test the results of the programs that you put into place.

Additional Business Planning Resources: GAMA Mentorship Program

The GAMA Mentorship Program is available for all GAMA members who would like to work on a Business Plan or share their plan for review. The Mentorship Program can be reached by contacting GAMA or through their website at www.gama.org

Time Management:

If you're looking for improving efficiency, the current guru is David Allen and you can check out his website at <http://www.davidco.com/> Allen's program is great for streamlining work processes and getting things done quicker. Of course, there are plenty of time management books and seminars available and you should sample a few to find out which one best fits your style.

You can find more information on Stephen Covey's First Things First program at <http://www.franklincovey.com> This is a great program that focuses on doing more of the things that are important to growing your business.

If you're looking for a very simple time organizing tool check out Planner Pads at <https://plannerpads.com/index.asp> These daily organizer pages do a great job of organizing your todo lists while keeping you focused on the important tasks you choose to grow your business. And these simple pages are very easy to duplicate in an excel worksheet!