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WOONG FICKLE BUYERS

With customers starry-eyed over discounts, can companies still forge long-term relationships? Melissa Ricci is a retailer's worst nightmare. When the 35-year-old resident of Burbank, California, plants herself at her computer and ventures online, she focuses on one thing: where she can get rock bottom prices on the items she desires — children's clothes, home furnishings, gift items, you name it. And, in the pursuit of that goal, Ricci leaves almost no corner of cyberspace untouched.

She will check retailer's websites, use search engines to find new online merchants, and check eBay to see if she can grab a bargain. If there's a better deal at the popular auction site, she will spend her dollars there. "These days, retailers are all pretty much the same, and I can get the products I want anywhere," she explains. How can a person feel any sense of loyalty on a computer?"

Unfortunately for many a longtime brand, waves of consumers like Ricci are bidding adieu to relationships with companies — banks, hotels, retailers, and others — and spending their dollars, yen, and euros wherever there's a great deal. Although bargain hunting has always spun a tight orbit around shopping, never before have consumers been so able and willing to break free of

the gravitational pull of familiar companies. Part of the reason for this new mindset is the sheer number of products and choices available. Among consumers, there's also a perception that companies and their products are all pretty much the same — and that service and product quality have diminished. Finally, there's technology. "The Internet has armed consumers with powerful information and commoditized many products," observes Christopher Kelley, an analyst at Forrester Research, a market research and consulting firm. "It has radically changed the dynamics of the marketplace."

This new world order is prompting companies to re-examine the way they market, sell products, and support customers. "Every organization must find a unique path when developing a strategy to enhance relationships and build loyalty," observes Gilda Kahn, a professor of marketing at the University of Pennsylvania's Wharton School of Business.

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THE VOICE of Retailing in Alabama



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FROM THE VICE PRESIDENT

RICK BROWN



The expression "beware of wolves in sheep clothing" is appropriate when discussing this year's Republican Primary races for the Alabama Supreme Court.

In past years, the business community worked in the Republican Party Primaries to get court candidates elected that are conservative and interpret the law rather than create it. Alabama's plaintiff trial lawyers have traditionally supported liberal democrats in the Supreme Court races. I'm not saying that all Democratic candidates for the Supreme Court are liberal activists. It's just that the ones backed by trial lawyer money typically win in the Democratic Primary.

This year's Republican Primary was different. We essentially had a slate of Supreme Court candidates supported by the business community verses a slate of candidates endorsed by Roy Moore and funded by Alabama's Plaintiff Trial Lawyers.

Indeed, politics make strange bed-fellows.

I realize that the "Ten Commandments issue" raises a great deal of passion with many people in Alabama. The Ten Commandments are a great part of our heritage and upbringing. However, we can't let this passionate issue be used by Plaintiff Trial Lawyers to gain control of Alabama's Supreme Court. That is essentially what's going on.

I started in this business during the day of the "Hornsby Court." Plaintiff Trial Lawyers controlled the Supreme Court and a rewriting of Alabama's tort laws occurred via judicial activism. It was a joke and we were the laughing stock of this nation. **Only it wasn't funny.** It affected real people in real ways.

Let's not return to that.

ALABAMA RETAIL ASSOCIATION ANNOUNCES NEW PUBLIC AFFAIRS MANAGER

The Alabama Retail Association is pleased to announce the addition of Charlotte Largen as Public Affairs Manager. Her duties will include communications, marketing, planning and executing educational programs, and serving as an assistant in the Governmental/Public Affairs Department. Charlotte will also be responsible for ARA's Retailer of the Year Awards, Centennial Retailer Program and the Law Enforcement Officer of the Year Award.

Charlotte comes to the ARA from Architectural Equipment Sales (AES) where she served as Personnel Director. Charlotte received her Bachelor's degree from Auburn University in Human Resources Management, and holds her MBA from Troy State University.





WOONG FICKLE BUYERS

(Continued from page 1)

CUSTOMERS COUNT

Loyalty certainly isn't what it used to be. Frederick Reichheld, author of *Loyalty Rules!*, has found that less than 50 percent of customers at a representative sample of U.S. companies say the firms deserve their loyalty. What's more, "Typical firms lose half their customers in fewer than five years, and customers don't defect when they are really receiving superior value," he notes.

While the Internet makes it easier for consumers to revolt, it's certainly not the root cause of the problem. Many companies do not provide the level of service and support that they once did; every company has found itself needing to make cuts, and customer service is often a casualty. Thus, callers wind up on hold for what seems like an eternity, they watch retailers offer special discounts to attract new customers while ignoring their best existing customers, and they find themselves coping with rude and unknowledgeable salespeople. "Too many companies talk a good game but they do not deliver," says Marc McCluskey, an analyst at consulting firm AMR Research in Boston.

A good example of this backwards logic revolves around phone number portability. U.S. consumers can now switch mobile service providers and keep their numbers (though all subscribers pay a monthly fee for the privilege). Phone companies, aware of the temptation for dissatisfied users to switch and the ease by which customers can now do so, toss out tempting discounts and plans for new subscribers. Longtime customers who remain with a provider get nothing in return, while those who bounce among various carriers benefit. Not surprisingly, this can irk loyal customers and erode their loyalty.

Over time, the results can be devastating. According to Philip Kotler, a professor of international marketing at the Kellogg School of Management at Northwestern University, attracting a new customer can cost five times as much as retaining a current one. More sobering is the thought that it can cost 16 times as much to bring a new customer to the same level of profitability as a current one. Meanwhile, Reichheld's research indicates that a 5 percent increase in customer retention results in a 25 percent to 95 percent increase in profits.

Some strategies, such as customer loyalty programs used by hotels, supermarket chains, and others, typically provide mixed results. As long as consumers perceive that there is a clear payoff, such as a discounted or free product or a shorter line, they're likely to remain loyal. But when all the players in a given industry adopt a rewards program, the value usually plummets. For example, in the grocery business, loyalty cards rarely prevent customers from straying, McCluskey points out, because it's possible to get the same overall discount at every other supermarket chain.

A LOYAL FOLLOWING

While customer loyalty may seem like an antiquated notion in the age of price-bots, those handy search engines that compare online prices automatically, with just one click, it's far from an impossible task. The most successful companies carve out a specific niche in the market, McCluskey says. They might be a high-end specialty retailer that attracts customers who like to feel pampered — and are willing to pay more — or a low cost discount warehouse with customers who accept minimal service and support. "They don't try to be everything to everybody," he notes

To be sure, there's room in the retailing world for both Wal-Mart and Nordstrom. The former excels by offering shoppers the lowest possible prices across the board as well as clean and efficient stores, while the latter provides personal shopping assistants, no-question returns, even live piano music while shopping. Yet, both have forged a strong bond with their customers, who tend to shop at the respective retailers regularly.

Creating a compelling experience that encourages customers to come back is key, McCluskey explains. For example, online retailer Lands End offers a "My Model" feature that lets shoppers create a virtual model with their own dimensions and then view clothing on it. And Amazon.com offers personalized suggestions based on past buying and clicking habits, as well as reminders for birthdays and one-click buying.

Meanwhile, luxury automobile manufacturer Lexus offers free loaner cars to those who bring in their vehicle for service. An added benefit of this approach is that Lexus owners see and drive new models, and are more likely to buy them. Lexus dealers also provide complimentary drinks and snacks, Internet access, and rooms where harried individuals can get work done.

All this, combined with high quality vehicles, has earned Lexus a ranking at the top of the annual J.D. Power automotive ratings. Nearly two-thirds of Lexus owners stay with the company when they purchase another car. Other luxury makers hover in the 40 to 50 percent range.

In the final analysis, Kelley believes that it's a simple enough proposition. "When a business offers a positive experience from beginning to end, consumers come back over and over again."

By Samuel Greengard — Based in Burbank, California. Greengard has written for Wired, Discover and Los Angeles, among others.



2003 EXAMINER OF THE YEAR AWARD GOES TO ARAB WOMAN

The Alabama Department of Public Safety and the Alabama Retail Association are teaming up to stamp out Driver License Fraud. Identification fraud is one of the fastest growing forms of robbery, costing financial institutions, businesses, government, and consumers an estimated \$24 billion dollars annually. While other states scurry to address national security issues related to the tragic events of September 11, and the use of fraudulent identification, Alabama is effectively addressing the issue.

On Friday, May 14, 2004, these two public and private agencies presented the “*Examiner of the Year Award*” for excellence in recognizing fraudulent activity. This special award



is given to those who go the extra mile to fight deceptive criminals and prevent fraud. This year's recipient is *Reba Thompson*, Examiner I, of the

Guntersville Driver License Office. In determining the winner a point system is used, with five points allocated for each misdemeanor arrest and ten points for each felony arrest. Thompson received 452 points last year.

“People just don't realize how important a driver's license is when it comes to security,” says Major Roscoe Howell, Chief of the Driver License Division. “A driver license used to be just that, now it's like a national identification card used to verify whether you are who you say you are, and here in Alabama we want you to prove it.”



Examiner Thompson with ARA Chairman Jerry Beasley

Without question, the unique partnership between the Alabama Department of Public Safety and the Alabama Retail Association is saving thousands of lost retail dollars by preventing individuals from obtaining false identities, or stealing some innocent individual's identity, and using this identification to obtain checking and credit accounts for unlawful purposes.



From L to R: Colonel W. M. Coppage, Major Roscoe Howell, Examiner Thompson, Mr. Joseph Thompson and Lt. Colonel Glenda Deese

JACKSON THORNTON TECHNOLOGIES OFFERS SIMPLE SOLUTIONS TO BETTER BUSINESS

It's no secret that running a business is a time-consuming proposition. The work doesn't begin when the doors open, or end when the last customer leaves for the day. There's inventory to track and manage, financial data to collect and analyze, and employee productivity to consider not to mention the thousands of details that make what you do an experience customers will want to re-live.

It can seem overwhelming. It doesn't have to be.

We at Jackson Thornton Technologies would like to introduce you to the QuickBooks retail solution for your business. We believe this integrated solution will be a key component in growing your business and operating it at its full potential. This retail solution utilizes the same functionality that keeps many large retailers competitive. We are bringing the same technology to you in an easy-to-use system at an affordable price.

You will be able to:

- Track inventory automatically: Track your inventory quickly and accurately, allowing you to purchase what you need and what sells. Gives you access to accurate, company-wide inventory information at any given time.
- Elimination of duplicated activities: Allows you to use your computer as a cash register to process various forms of payment that immediately flow into the financial/accounting application, reducing time spent in dual data entry.
- Get to know your customers (and your employees): Collect, analyze and market based on customer activity information. Use it to track employee productivity.
- Quickly train employees: Jackson Thornton Technologies has certified QuickBooks retail solution consultants ready to train employees on the necessary software tools to begin maximizing your profits.
- Tie in multiple locations: This retail solution is designed to grow

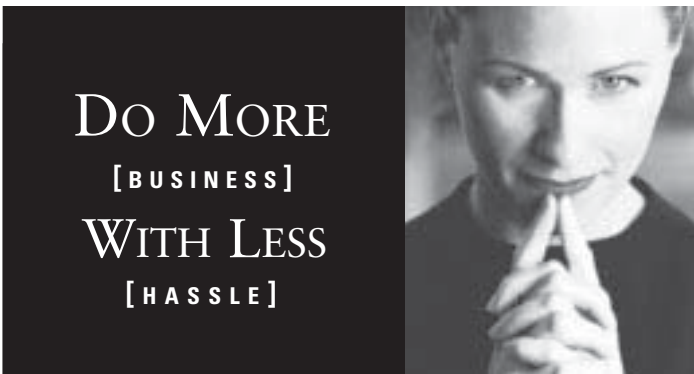
with you. You can tie in as many as 10 different locations to the software.

We believe there is untapped potential in every business. QuickBooks retail solution is just one of the many simple solutions we can offer you to help your business meet—and exceed—your goals.

At Jackson Thornton Technologies, we know how to make technology work for you. We can design a system that will help your business operate at the highest possible level. We can offer you the support and guidance you need, from installation to operation. We get to know your business and we get to know you so that we can best determine what will work for you.

Join us as we, along with the Alabama Retail Association, present a special Webcast to demonstrate the QuickBooks retail solution on Tuesday, August 24 at 8:30 a.m. Registration information is available at our Website, www.jttconnect.com.

Jackson Thornton Technologies. We can't make running a business easy, but we can make it easier. Let us show you how.



Jackson Thornton Technologies and the Alabama Retail Association are teaming up for a special Webcast and conference call to show you how the Quickbooks retail solution can help you better serve your customers. Learn how we can simplify your approach to inventory tracking, improve your ability to collect customer and sales information, and speed up customer service.

The Webcast will take place on Tuesday, August 24 at 8:30 a.m. Registration information is available at www.jttconnect.com.

TAX COLLECTION SNAPSHOT:

	% Change June 2004 over June 2003	% Change FYTD 2003-2004 over FYTD 2002-2003
Corporate Income Tax	41.76%	37.08%
Individual Income Tax	0.70%	9.54%
Sales Tax	7.46%	7.85%
TOTAL TAX COLLECTIONS	7.15%	8.46%

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 THE HUMAN SIDE OF TECHNOLOGY
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WAGE AND HOUR LAW CHANGES AFFECT RETAILERS



The proposed changes to wage and hour exemption regulations become effective on August 23, 2004.

Employers should evaluate their pay practices to ensure they meet the requirements for the new regulations. The following are the key changes that affect retailers:

1. The minimum guaranteed salary level for an executive employee, which may include a store manager and/or an assistant manager, rises to \$455 per week. You may not include bonuses and commissions as part of the \$455.
2. For an individual who works as a manager or assistant manager to remain exempt he or she must in addition to other duties have the authority to hire and fire, or whose recommendations about hiring, firing and the full disciplinary cycle are part of the individual's job duties and those recommendations are given great weight by others.
3. Under the current regulations, there is a limitation on the amount of non-exempt work that can be done in the retail industry. Currently a manager or assistant manager may perform non-exempt work only 40% of the time. Under the new regulations, the percentage limitation is replaced by the "primary duty" test. This test means that if the employee's primary duty is management, then the employee may qualify for the exemption. Primary duty does not have to be 50% of the employee's time. For example, if an assistant manager spends 40% of the time performing exempt management functions, 30% of the time stocking and 30% of the time doing other non-exempt, the individual may still qualify for the exemption because the single greatest period of time (40%) is devoted to exempt duties. Furthermore, unlike the current regulations, a manager or assistant manager may be operating a cash register while concurrently performing exempt management duties such as supervising employees.

4. The regulations permit a manager to be paid what is referred to as a "salary plus" basis. For example, assume that in addition to working and receiving a salary, the manager fills in for a crew person who calls in sick and receives an hourly rate for that crew person's work. Mixing the hourly rate with the salary will not nullify the exemption, provided the guaranteed salary is at least \$455 per week.
5. The new regulations also provide for the potential to make disciplinary deductions from an exempt employee's pay. Under the current regulations, an exempt employee's pay may be docked for disciplinary purposes only in increments of a week, unless the deduction is for major safety rule violations. Under the new regulations, exempt employees may be suspended without pay for disciplinary purposes provided that the suspensions are in full-day increments and also provided that the suspensions are pursuant to written rules of conduct and disciplinary policies that also apply to all other employees. Note that under no circumstances, except for a bona fide family and medical leave absence or prorating the employee's first or last week of work, may an exempt employee's pay be docked for an absence of less than a full day.

This article just highlights some of the more significant changes to the regulations affect retailers. If you would like additional information, please contact the Alabama Retail Association at clargen@alabamaretail.org or 334-263-5757 for copies of information we have prepared thoroughly explaining the new regulations. There is a \$15.00 charge.

Richard I. Lehr is an attorney with the labor and employment law firm of Lehr Middlebrooks Price & Vreeland of Birmingham; Lyndel L. Erwin became a consultant with Lehr Middlebrooks upon his retirement from the United States Department of Labor, Wage and Hour Division, where he worked for thirty-six years, the last several as District Director.

WELCOME NEW MEMBERS

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Arab Tractor & Parts Connection, LLC..... Arab
B B & C Enterprises, Inc. Vernon
Bello 'Tons, LLC Foley
Benard's, LLC..... Albertville
Carriage Cleaners, Inc..... Huntsville
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E-Systems.Net, Inc. Birmingham
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Faman, LLC..... Birmingham
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