



COMPETITION: Christmas merchandise is offered for sale at a Home Depot last month in Niles, Illinois. Small businesses often face stiff competition from big box retailers during the holiday shopping season. SCOTT OLSON/GETTY IMAGES

The marketing corner

Preparing for Black Friday

By ADELE LASSERE

As a retailer, the mere utter of "bust" and "Black Friday" (day after Thanksgiving) in the same sentence is like awaking from a feverish nightmare where Freddie Krueger was tormenting you in your dreams.

This kind of dream would send many a chest-puffed retailer into cardiac arrest. Black Friday signifies what a retailer can expect for the remainder of the holiday shopping season. It also lets retailers know if their cash flow will be in the "black" or in the "red."

If you are in the retail business, whether you realize it or not, you will be competing with the big box retailers. The reality is that cash registers must go "cha-ching" in order to put you in the "black." With Black Friday around the corner, let's take a peek at a few indicators forming the perfect storm for this upcoming holiday shopping season:

- The economy is still sputtering along;
- Consumer confidence is skeptical, at best;
- Many shoppers plan to reduce or keep the same budget for gift-giving from a year ago;
- Unemployment is at levels not seen in years

Based on these facts, we surmise that spending will be down and shoppers are looking for deals in the coming weeks.

For any advertising placed for Black Friday, be sure you are coming out with your "A-game" and show value. As a retailer, it's important to get into a shopper's mind. Once shoppers have made the consideration list of whom they will make purchases from, the game is over. It is a sure bet that during the past several weeks shoppers have been reviewing newspaper inserts. Many shoppers who have lost their employment are already sitting on the bench with no intention of stepping into the game. So it is crucial to connect with shoppers intending to spend.

After that, the ball is on first and goal. Big box retailers are sending in their starting defensive line-up. Plus, they have bench strength. In other words, they can out-spend you and buy the shopper's business by accepting a lower margin. If you don't bring your "A-game," you will definitely be playing catch-up the entire holiday season. Odds are, that nightmare mentioned at the beginning of this article could become a reality. If you have not sat down to map out your strategy for this vital day, the clock is ticking. Consider this as your two-minute warning.

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Shoppers Drug profit rises, but worries dog stock

TORONTO (Reuters)—Shoppers Drug Mart, Canada's biggest pharmacy chain, reported a higher quarterly profit on Wednesday, helped by stronger sales of prescription drugs and beauty care products.

But its shares dropped 1.6 percent as investors worried about likely changes to rules on drug costs and prescription fees in the province of Ontario and the chance of similar changes in Alberta.

Ontario, Canada's most populous province, is reviewing the legislation and is expected to enact changes early next year.

"It is a very complex discussion (in Ontario), obviously," chief executive Jurgen Schreiber told a conference call.

"There is nothing to be speculated ... about any kind of impact. We are still together and negotiating and everything is in line with our expectations at this point in time."

Analysts see a hit to earnings between 20 Canadian cents and 35 Canadian cents a share if reforms go through.

"The stock is going to remain range-bound until something comes out from Ontario on what is going to happen with this drug reform," said Brian Yarbrough, an analyst at Edward Jones, in St. Louis, Missouri.

Shoppers shares, which have fallen about 7 percent in the past year, were down 1.6 percent at C\$43.79 on the Toronto Stock Exchange.

Shoppers earned C\$170.9 million (\$163.5 million), or 79 Canadian cents a share, for the quarter to Oct 10, up from C\$160.3 million, or 74 Canadian cents a share, in the year-before quarter.

Revenue climbed 7.9 percent to C\$3.01 billion, with same-store sales rising 4.8 percent.

Analysts had expected, on average, earnings per share of 80 Canadian cents before items and revenue of C\$3.00 billion, according to Thomson Reuters I/B/E/S.

"It's pretty impressive, compared with what else is going on out there in retail."

Prescription drug sales on a same-store basis gained 5.8 percent. Total prescription sales climbed 9.7 percent to C\$1.48 billion, accounting for 49.1 percent of the sales mix, up from 48.3 percent for the same period last year.

Front-of-store sales, including things like cosmetics, candy and over-the-counter medications, jumped 6.2 percent to C\$1.53 billion, excluding tobacco, on a same-store basis.

"They continue to do a great job driving pharmacy sales and front-end sales continue to be strong," Yarbrough said. "It's pretty impressive, compared with what else is going on out there in retail."

The results included only minimal sales from cold and flu remedies and hand sanitizers, but Schreiber expected this to pick up dramatically this quarter as the full effects of the H1N1 flu pandemic takes hold.

Shoppers opened or bought 37 drug stores in the quarter, including 15 relocations. At the end of the quarter, it had 1,282 stores -- 1,212 drug stores, 66 Shoppers Home Health Care stores, which supply medical equipment and devices, and four Murale stores, a luxury beauty brand launched last year.

Making or breaking U.S. small businesses

By HEIDE B. MALHOTRA
Epoch Times Staff

WASHINGTON—America's small businesses, often called the driver of the U.S. economy, will finally get a break if President Barack Obama has his way.

"American entrepreneurs and small businesses are the engines that create new jobs and develop the innovations that will keep our Nation strong," Karen G. Mills, Small Business Administration (SBA) administrator, said during a Small Business White House ceremony, according to its Web site.

Obama promised to push through Congress a bill to increase small business loans from \$2 million to \$5 million, increasing "CDC-504" loans to \$ 5.5 million, and SBA microloans from \$35,000 to \$55,000.

Currently, a CDC-504 loan provides small business entrepreneurs with a long-term, fixed-rate loan for up to \$1 million to finance fixed assets such as equipment, real estate, and buildings.

"Small businesses have always formed the backbone of the American economy ... The problem is, our small businesses have been some of the hardest hit by this recession," President Obama said in a recent speech, published on the White House Web site.

According to the latest SBA statistics, there were 29.6 million small businesses in the United States last year with less than 500 employees.

Between 1993 and September 2008, small companies generated 14.5 million new jobs or 64 percent of all U.S. jobs.

More than 50 percent of private sector employees work in small businesses. These companies employ two-fifths of the high tech workers, including engineers and computer programmers, in the U.S.

SMALL BUSINESS WOES

Only one-third of U.S. small business firms reported normal borrowing activities.

About 14 percent of the companies

had a hard time procuring funds to run their businesses. Although not desirable, these numbers are still better than pre-1983 levels, when 37 percent of businesses couldn't get business loans.

"Owners do not see credit conditions easing much in spite of the Federal Reserve's hugely expansionary policies," according to a recent National Federation of Independent Business (NFIB) report.

A small number of businesses (11 percent) took the risk and increased sales prices, while 31 percent reduced their selling prices over the past months. The bad news is that weaker sales sliced into the profit of companies and cost reductions have not made a great difference to profitability.

Despite weaker sales, small business owners predict that sales will improve over the coming six months and reported increased sales when compared to March of this year.

THE POWER OF LENDERS

America's small firms are not really at the mercy of banks that have become risk averse and want to hoard funds instead of putting it back into the economy, contrary to a recent RiskCenter report.

"Banks use the Fed as a parking place for their cash, holding far more than the reserve requirements. It's about \$800 billion in total vs. under \$60 billion required," the RiskCenter, a research organization for financial professionals, said in a recent article.

The NFIB claims that only 14 percent of all firms interviewed found it difficult to get loans, and only 4 percent said that getting a business loan is their worst nightmare.

Since the changes to the SBA loan program of the American Recovery and Reinvestment Act enacted on February 17, the federal government has increased support of loans to small businesses by more than 60 percent to a total of \$11.3 billion.

The average number of weekly loans approved rose by 50 percent,



SITTING EMPTY: Retail space for lease in a shopping mall is advertised last month in Fontana, California. Third quarter reports indicate that U.S. strip mall vacancies were at a 17-year high. Vacancies have risen under the decline of the economy, weak consumer spending, and the housing bust. DAVID MCNEW/GETTY IMAGES

and in September alone, loans amounting to \$1.9 billion were approved. The September increase was the highest since August 2007.

"The Recovery Act was critical to unlocking the market and as a result we've helped put billions of dollars of much needed capital in the hands of small business owners during this tough economic time, and brought more than 1,200 lenders back into SBA's loan programs," Mills said in the speech at the White House.

The SBA does not directly lend to small businesses, but guarantees lenders that it will pay up if the firm defaults. A lender will not buy into the SBA loan programs unless it perceives a great risk of default, as SBA paperwork can be lengthy.

SMALL BUSINESS DESIGNATION

The SBA published a table of standards defining small businesses.

The small business designation is rather complex and mind-boggling when one wants to assure that

a business is considered a small business. The SBA takes into consideration industry structure, competition, firm size, start-up costs and barriers to entry, technological transformation, and a slew of other factors.

The SBA published a short list that defines close to three-fourths of U.S. companies as small businesses, but most likely the list is not all-inclusive. For example, a business is designated a small business in the manufacturing and mining industry if it has less than 500 employees, while in the wholesale trade industry, any firm with more than 100 employees is no longer a small business.

In the retail and service industry, firms with revenue up to \$6.5 million could be considered a small business. In the general and heavy construction industry, one might be a small business with \$31 million or less in revenue. Yet, in the agricultural industry, the small business cutoff is at \$75,000.

Eight people indicted for hacking RBS WorldPay

WASHINGTON (Reuters)—A U.S. grand jury indicted eight foreigners on charges that they hacked a computer network used by the credit card processing company RBS WorldPay and stole more than \$9 million, the U.S. Justice Department said on Tuesday.

The group, which included people from Estonia, Russia and Moldova, was accused of compromising the data encryption used by RBS WorldPay, based in Atlanta and part of Royal Bank of Scotland, and gaining access to accounts a year ago.

"This investigation has broken the back of one of the most sophisticated computer-hacking rings in the world," said Sally Quillian Yates, the acting U.S. attorney for northern Georgia.

RBS WorldPay is one of the leading payment processing businesses globally.

U.S. cyber-security officials long have been worried about hacks into global financial networks that could harm the financial system.

This indictment marked the latest in a series of cases that have highlighted the risk to such networks. It comes about two months after a 28-year-old computer hacker from Miami pleaded guilty to charges that he helped lead a worldwide ring that stole more than 40 million credit and debit card numbers.

The Justice Department on Tuesday identified the accused in this latest case as five Estonians, one Russian, one Moldovan and one individual whose nationality was not specified.

They were indicted by a grand jury in Atlanta, and Estonian authorities have arrested four of them, the Justice Department said. One of the accused, Sergei Tsurikov of Estonia, already is awaiting extradition to the United States.

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