

**Retailer Newsletter**

**May 1, 2021**

**Tom’s Business “TIPS”**

***“To Improve Profits”***

**RE: Start Out Taking Small Steps**

**Hello,**

**I recently received a call from a very frustrated retailer. He was on the verge of losing it all, literally. He didn’t have any idea about how or where to start. He has been watching his business slowly dwindle down to the current crisis stage doing nothing to change the inevitable. His banker is threatening to call his loan and not honor any overdrafts. His problems have been festering for years (literally). He has decided he needs to make some changes in his business. He was experiencing issues we have all faced at one time or another:**

* **Poor employee performance and turnover**
* **Low sales**
* **Low gross profit $$ and terrible gross profits %**
  + **Probably due to incorrect markup and employee/vendor theft.**
* **High payroll (compared to industry benchmarks)**
* **You get the picture!**

**I informed him he was not going to change things overnight, but he could start to see improvement rather soon with a few changes. He was on the verge of tears telling me he needed to make drastic changes NOW! I explained if he could manage to improve sales, in addition to increase gross profit %, and reduce expenses, he could shortly see a positive change of $100 per day resulting in a $3,000 bottom line change in a month’s time. Here are a few of the tips I suggested:**

* **Make sure your gasoline price (on the street sign) is competitive. Customers are not going to drive in and patronize your business if you gasoline price is not reasonable.**
* **Clean your store, inside and out! Make it bright inside and out too!**
* **Have a frank and honest discussion with his staff. Explain the dire financial situation. (Hint – they are probably already aware of it with vendors calling for payment, COD deliveries, etc.)**
* **Brush up on ways to improve gross profit %.**
* **Review Vendor Check-in Guidelines \***
* **Be sure your staff understands Vendor Theft. It’s possible his staff has been collaborating with vendors for an extended period of time to the financial gain of both the vendor and CSR.**
* **Check prices in your store vs. your competition. Are your prices competitive? (Fuel, cigarettes, Coke/Pepsi, fountain drinks, beer, etc.) Don’t assume your prices are competitive if you have not gone ‘shopping’ recently. You really need to check to be sure you are not the cheapest on the block.**
* **You need to be very careful here. I have witnessed several owners stretched for cash and they think the fastest way to achieve financial success is raise ALL prices to the max. What happens is you alienate your customers because they will notice a major price hike on everything in the store. I call this short-sighted pricing or short-term pricing (because you won’t be in business very long with this strategy).**
* **Review Industry Benchmarks \*\***
* **The only way to improve gross profit $ is:**
* **Improve sales**
* **Raise prices**
* **Reduce shrink**
* **The best solution is a combination of all 3!**

**\*\* Check our website for these documents.**

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**I’d be less than honest with you if I didn’t tell you, I found myself in similar situations more than once. When I was a naive optimistic young businessperson, I often thought my situation would just get better on its own over time. It didn’t take me long to realize things generally don’t get better until you (or me) do something to make a difference. Most of the businesses I have worked with on consulting really believed things would just get better if given enough time. Sometimes, over time things can improve to a small degree, but for many of us the downward spiral can be overwhelming. I think if we are honest with ourselves; if it took a business 12 months to reach ‘the bottom’, it might take 18-24 months, or more to get back to the level it should be operating.**

**As I have mentioned in the past, the overwhelming majority of owners I have consulted with were absentee owners. By that I mean, they either have a full-time career outside the c-store or are owners of multiple stores and this owner rarely spends more than a few minutes at each store in any given week. In my opinion~~,~~ these people are the most at risk since they really don’t know the day-to-day routine. They really don’t understand what the business needs to operate OR what it is capable of doing in sales (because they have not WORKED at the store for any considerable amount of time); AND they depend too much on what a store manager tells them. Many people believe when they open their second store, they will double their gross profit (and income), I disagree. I think a more believable number may be 60%. When they move on to three locations, that number may drop to 50% (and quite possibly for all three stores). I always say, “Unless you walk around and kick the tires, you really don’t understand what’s going on at your store.” Most stores will not be as productive (or profitable) if the owner is not there. REASON: salaried employees are not vested in the profitability of the business, because they didn’t sign for the loan and/or mortgage.**

**Another fallacy that business owners who are operating under the stress of underperforming financially have is that they think they can save $$ and make more $$ by driving from one wholesaler to another making purchases saving $1 here or $2 there. In all actuality, you are losing more $$. You are spending your valuable time driving around town trying to save a buck, instead of being at your store managing or working. I am a firm believer that you need to find a local grocery wholesaler and stick with them for the majority of the items they provide. Sure, you are going to pay a little more for the convenience of having it delivered; but in the long run, you are going to come out ahead. There were many times when I found myself helping put merchandise on the shelf after it was delivered, but I was also at my store the entire time ‘overseeing the operation’ at the same time. You see, that’s a win-win.**

**Another mistake owners who are stretched to the max make is they fire many of the CSR’s and work the store themselves. Again, I disagree with this strategy, the owner is vital to the overall operation. You cannot manage the business AND operate the cash register for most of the day.**

**A recent article at NACS Daily, “49.8% of customers who went to the c-store to pick something up in 2020 did so because they were thirsty and wanted a drink.” Question: is your fountain machine clean, well merchandised, and well-stocked? Be sure to brix at least once a week. Are your cooler doors clean, well-lit, cans and bottles facing front? This is where your customers are looking to spend their $$!**

**Please check our website, *‘Safety & Security Tips’* monthly. Some of these tips could save your business or your family from harm.**

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**If your state, county, or city mandate wearing a mask, please, please be sure your staff is wearing one too!**

**Has anyone pursued SafeShop? I’m interested. It might be a good way to ‘up your image’ for your customers.**



**I hope you, your staff, and family are staying safe and well during these trying times. We are reaching the end of this nightmare, finally! 😊**

**Don't be a victim of the 5 Dangerous Words –**

***‘Maybe I’ll Do It Tomorrow’***

**Do it today because tomorrow (~~could be~~) will be too late!**

Tom                                                                       
Thomas W. Terrono

**T&S Management Services, LLC  
Instructor / Consultant for the Convenience Store Industry  
Lee's Summit MO 64082-4864**

**816.550.8048**



**[tom.tsms@gmail.com](mailto:tom.tsms@gmail.com)**

**[www.tsmanagementservices.com](http://www.tsmanagementservices.com)**

***“Our business is making your business better!”***