

**Retailer Newsletter**

**October 1, 2023**

**Tom’s Business “TIPS”**

***“To Improve Profits”***

**RE: I Still Believe Retailers Underestimate Employee Theft!**

**Yes, Fall Is Here, Finally!**

***1. Still More on Employee Theft***

**I’m continuing to hear from retailers commenting on my article(s) about employee theft. Several of them didn’t mince words when they told me they thought I was exaggerating the situation. While some agreed that employee theft does exist, they thought it was only at a minimum, at best. Here are a couple of questions I asked, challenging their comments:**

***A.* Do you take inventory? I ask this question because if you do not take inventory, you have no clue about shrink (theft). Here is a formula I have used many times in presentations.**

**Beginning/Opening Inventory**

**+ Purchases**

* **Ending Inventory**

**= Cost of Goods Sold (Gone)**

**You see, if you do not take inventory, you never, never ever know your Gross Profit and/or what is missing, sold, or stolen. *(Money lost)***

**I have added numbers here to help you understand the use of the formula.**

**Sales: $1000.**

 **Beginning/Opening Inventory: $3500.**

 **+ Purchases: $1400.**

**$4900. (total)**

**Ending Inventory: $4250.**

**= Cost of Good Gone: $650.**

**Subtract (-) $650 (Cost of Goods Gone) from $1000 (Sales) = $350 (GP)**

**350 ÷ 1000 = .35 (35% gross profit)**

***B.* During a consulting visit, I met a retailer at his operation, a repair service business and convenience store with gasoline. During our many hours of conversations, I asked,” What is your gross profit on tires?” He replied, “Two dollars.” Thinking that he did not understand my question, I asked again, “No, what is your gross profit on tires?” Again, he answered, “Two dollars.” It took further questioning before I finally understood how he marked up his tires; it was ‘cost + $2.00’. I further explained that if he sold 50 tires in one month (adding $2.00 to each) his gross profit would be $100; however,, if he had one tire stolen, his gross profit would be 0 dollars (zero, nada). Never taking inventory (which he did not), he would never realize if he lost a tire, or two, or twenty that month, and the gross profit he assumed he was generating was lost due to shrinkage. That’s why I always say, the only true way to understand your shrink is by taking a physical inventory on a regular basis, preferably monthly.**

***C.* In situations with high shrink items, i.e., cigarettes, inventory should be taken daily or after every shift. If your answer to this suggestion is that you have too many cigarettes on hand to count, then maybe, just maybe, you are stocking way too many cigarettes.**

***2.* I have met way too many retailers who leave cigarette ordering to managers or CSRs. Often times these employees are trying to accommodate ALL CUSTOMERS, regardless of what the ramifications are (too many $$ tied up in inventory).**

* **Many retailers do not have the time or staff available to take a monthly physical inventory. There are several ‘Retail Inventory Companies’ that can assist you.**
* **Many people still believe that inventory is the system by which you try to determine how many Frito chips are sold or cans of Coke are sold. When you take inventory, you total the retail/cost value of each department (category) in your store. For example:**
* **What is the total retail value of canned/bottled beverages?**
* **What is the total retail value in the grocery category?**
* **What is the total retail value of cigarettes?**
* **And so on.**

**After you complete your inventory at retail, you simply convert that number to cost using a simple conversion.**

***Converting Retail to Cost***

**If your retail price is $14.30 (@ 30% gross profit)**

**multiply by (X) .7 = $10.01/$10.00 (cost)**

**14.30 X .7 = 10.01/10.00**

**Your accountant should insist that you take a physical count in your store. BECAUSE, if you do not take inventory, how is he/she determining your gross profit? By any other method, they are just making a guess. Do you want to pay someone to ‘guess’ your gross profit and, consequently, your net profit? If you are guessing at your gross – net profit, are you also guessing at the income you make from that profit? That’s too much guessing, making it impossible to properly manage your business profitability successfully. If you are not regularly taking inventory, make the change, start taking inventory to properly manage your business, and know the shrink, and loss in inventory. Knowing the problems, you will know what corrections/changes are needed to improve your profitability.**

* **Do you have set gross profit expectations *(goals)* in various departments *(categories)?***
* **Who monitors retail prices listed in your store?**
* **Is it you, a manager, a trusted CSR, or no one?**
* **Many grocery wholesales will provide shelf price stickers and a suggested retail price on your invoice, but YOU must decide the markup, and gross profit, NOT the wholesaler. Your wholesaler has one goal in mind and that is to sell you as much product as they can, your gross profit notwithstanding. If they provide you with a low suggested retail price, you will sell more of ‘their’ product, but ‘you’ will make less $$ on it. It is up to you to dictate the retail prices you need to maintain profitability.**

***3. As I was preparing this newsletter, an article appeared on a news website I often check:***

***“Retailer says organized theft is biting into profits, but internal issues may really be to blame.”***

**I won’t mention the retailer by name, but take my word for it, they are a major player in the retail industry with stores operating in all 50 states. For years, this retail operation was blaming teams of shoplifters for stealing Billions of $$ (yes, with a ‘B’), now they are taking a hard look at employee theft being the #1 problem. That’s a major turnaround, and it’s a surprise they even found (and admitted it) the real culprit since they were looking in the WRONG direction for years.**

***4.* As I meet and talk to retailers all across the country, many tell me they cannot afford to pay the going wage many of their competitors are paying. I understand this situation, truly I do. BUT (and there is always a BUT) that is because many times the retailer is not earning enough profit at their store to pay a sustainable wage. The reason they are not earning enough is their gross profit (not sales) is not enough to sustain business growth. I’m going to go back to the comment I’ve made many, many times lately; *Employee Theft is the #1 Business Killer* in our industry. Many of you are not earning enough at your store to hire employees, so you (or your family members) work to cut down the wages paid. Get a handle on Employee Theft, get a handle on the proper pricing of products in your store, and you might even start having fun again.**

***5. Being A Successful and Proactive Leader***

**There is another quote I have often used:**

***“Being successful in small business is like climbing a ladder.***

***You can’t do it with your hands in your pockets.***

***You may even have to get your hands dirty.”***

**Quite simply, this means you cannot walk into your store, grab the bank deposit, and go home. Too many retailers are doing this now, and their business is suffering because of it. You need to have a routine almost every day where you look for problems and ask questions of your employees. It’s like when my sons were new homeowners and I used to tell them after a major storm blew through; go outside and look around. Look for problems. Are you missing any shingles, are your gutters and downspouts, OK? Don’t wait until you discover a flooded basement days after, be proactive. As store owners, you should follow that same concept every day. Are vendor’s products not being counted in? Are shelves not being stocked as needed? Are your CSRs lackadaisical? I am sure you get my point. Just like my sons, I want you to be proactive and successful too.**

**I found an article recently I want to share with you.**

***The Habits of Highly Reliable Leaders***

**Successful CEOs who understand the critical importance of reliability know that the little stuff matters. They work hard at being reliable in everything they do.**

* **They are on time for meetings, for phone calls, and for work.**
* **They make individual commitments clear in meetings. (Who is taking what action and by when)**
* **They follow up on agreed-upon actions religiously.**
* **They make lists (to do, to read, mistakes, people to keep in touch with, useful resources, etc.) – and put those lists into action.**
* **They are aware of their mood, words, and actions in their interactions with their teams – are their actions and words having the desired effect?**
* **They keep the people who need to know in the loop, so no one drops the ball.**

***6. This Month’s Website Recommendations***

**Keeping with my commitment to share some items we feature on our website each month:**

**Forms & Reports For Your Business:**

* 1. **Lottery Check-Out Worksheet – this worksheet is designed to monitor your scratch-off lottery ticket sales. It is vital to verify starting and ending ticket numbers – what is missing is sold (gone). If your store has more or less than the 8-box report shown, simply modify your own.**
	2. **Manager Job Description – here is a store manager job description you can use. If necessary, you can change it to fit the job description you require for managers.**
	3. **Mark-up and Margin Conversion Chart – this chart is a must for all stores. You, the retailer, decide what the gross profit % is necessary for each department. You should post this chart. Post this chart somewhere in your store for employees to see (away from customer view).**

***7. Another Recruiting Tip***

**I was recently reminded of an old recruiting trick I had used in the past. If you have an appointment with a new applicant, many times they have never met you, and they do not know you. I would walk around the store and observe their actions when the new applicant arrives.**

* **Was he/she polite to those they may have met on the way in?**
* **Did they hold the door for a customer entering the store behind them?**
* **Did they toss a cigarette butt on the ground before entering?**
* **Remember, people cannot change who/what they are. When they put on a ‘pretty face’ during the interview process, that may not be the real person.**

***8. I’m Here to Help You Succeed***

**If you would like to improve your store sales and profits, give me a call or email. If you are a supplier or organization with retailers, and they are struggling to maintain profitable stores, please reach out to me. We can help these stores’ operations and improve profitability!**

***Do the right thing, even when no one is looking. It is called integrity.***

**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!**

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