

Don't Shrink Your Profits!

BY MARK MULCAHY

If you are a produce manager, you wear many hats: stocker, scheduler, buyer, counselor, margin manager. But I think there is one more that is just as important as the others, and that is your detective hat. This is especially true when you are having trouble reaching your financial goals.

Often, when I am brought in to consult with a store that is struggling to meet its margin, labor, or sales goals, one of the first things I do is put on my detective hat and start asking questions.

Would you throw cash in the garbage can? “Of course not,” they answer. Yet you do every time you unnecessarily shrink produce. But consider this: If you toss out one box of produce, you need to sell four at the regular price just to break even! That usually will get a manager thinking, which allows us to start digging into the problem. And when it concerns your department’s financial health, no box, schedule, system, or stocking routine should be left unexamined. So let’s put on our detective hats and head out to the sales floor.

Do your displays reflect your sales? When you are having margin or shrink problems, it’s common knowledge that you should set your displays so they look full and inviting. But what you may not realize is they should contain no more than a one-half to one day’s worth of product. This allows you to touch the display every day, do regular rotation and keep your ordering numbers in line.

Make sure displays don’t hurt the food. Pay attention to what you are culling every day. If it’s lots of wilted greens, you may not be watering enough or may have too warm a case. If it’s lots of bruised pears, perhaps they need to be put into a wider, shallower display so they are more visible and have less pressure on them. Sometimes small display mistakes can have big consequences.

Don’t let good product wait for marginal product to sell. I will often hear managers say, “Leave it out there one more day so we don’t lose money.” Actually, this behavior may be doing just that, losing you money. Your customers are looking for quality, and that’s what you should give them. If you made a bad buy or a product did not sell the way you expected, recognize that a mistake is a mistake and learn from it.

Next time, order differently or display it more prominently, or perhaps you need to price

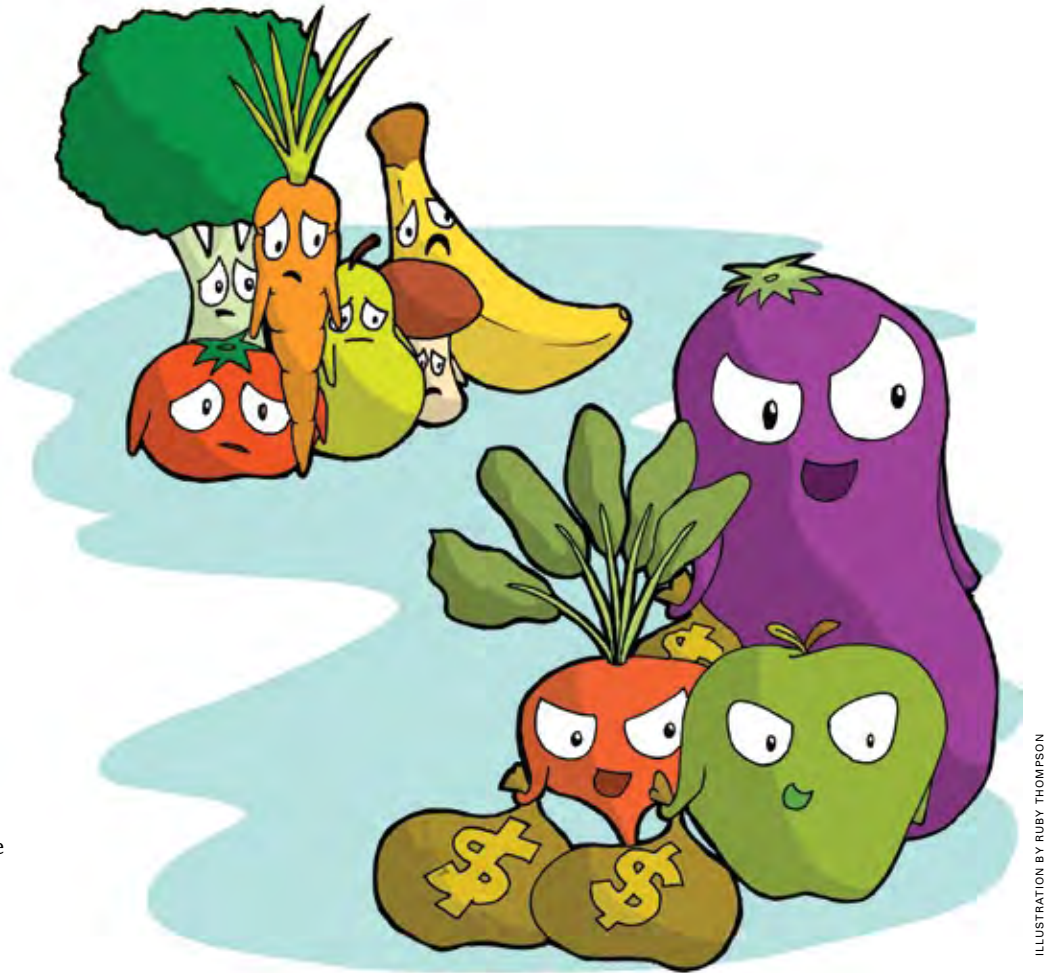


ILLUSTRATION BY RUBY THOMPSON

it more competitively. But don’t leave it on the stand. If you do decide you need to reduce the price, reduce it while the item is still a good value. Putting your mistakes on sale after they have passed their prime will only gain you a reputation that will not bring positive results.

Do you have consistent culling, stocking and quality standards? I can’t tell how many times I’ve seen two different ways of doing things between one shift and another. One shift leaves something on for one set of quality standards and another pulls it off for another set. This can get very costly. Creating clear guidelines that explain exactly what the department’s standards are in this area and holding your crew to them will make everyone’s job easier and likely more profitable.

Keep your equipment clean and maintained. Beside the obvious reasons for department cleanliness, keeping up on cleaning and maintenance can help keep your shrink down. Your cases will keep more consistent temperatures, last longer, and harbor less mold and mildew.

Educate yourself on what gives your produce the longest life. Knowing the best temperature,

humidity, storage and shelf life of each product can make a big difference on your bottom line.

The time is ripe! Most people are looking for something they can eat right now when they shop. In an effort to control shrink, many stores only stock fruit that is too green. This may be costing you sales. Let’s just use avocados for example. Do you always have ripe avocados? An AC Nielsen Homescan 2007 report on the average shopper’s market basket revealed that customers who checked out without avocados spent an average \$39. Those with avocados spent \$66 per trip, a 69 percent increase. And consider the California Avocado Commission’s Best Practices Research Study. It showed that 77 percent of shoppers plan to eat the avocados they purchased either today or tomorrow. That means yours should be ripe.

Receiving practices

Let’s travel to the back room and look at some other areas, starting with receiving.

Thoroughness at the receiving end will result in saving money at the front end. Do you have receiving standards or guidelines? If not,

consider these a good start:

- Make sure products are counted as they are received. Note shorts or outs on the invoice.
- Check the quality: Is it as good as it should be?
- Make sure product matches what is invoiced: grower, size, etc.
- Make sure the invoice is for your department and store; mistakes can happen.
- Review, date, and initial the invoice after you have received product, and enter it into your receiving log. Keeping a receiving log allows you better control over your cost of goods and is something you can refer to if there is a discrepancy with your accounting department.
- Compare invoice prices versus quoted prices. This can make or break your margin.
- Request credit on damaged or missing product; make a note on your credit log. Check in weekly with your vendors to make sure the credit request is fulfilled. One client of mine found \$2,500 in credits that had not been received once they started tracking vendor credits.

Create a good ordering and par system. While many managers are able to order with good intuition, a good ordering system that keeps all the information at your fingertips is invaluable for controlling shrink and maintaining sales. Having clear pars allows you to create a checks-and-balance system for what you believe and what is so. This, along with daily checks of sales and movement reports, will get you on the right track.

If you do transfers, keep them nearby. Many stores have interdepartmental transfers. If other departments are getting product from you, then take these steps to keep your shrink down: Make

sure they sign out any product taken from your department, and have it initialed by a produce worker. This will ensure you get credit for whatever is taken—forgetting is costly, to you!

Another procedure to implement in this area is to always have transfers taken from backroom product that has not been prepped. Using your prepped product from your wet stand is a waste of your department's labor.

The price is right! Don't get stuck at 40 percent. If your target margin is 40 percent, it's easy to price everything at that rate, but it may be costing you sales. Using variable pricing gives you much more flexibility to competitively price and make money where you can. That's where a good pricing spreadsheet comes in. This can be invaluable in determining the best price for optimum sales while still maintaining your overall margin.

Look up front. One last place to look for missing margin is the front end. Do your cashiers do daily produce department walks? They should! You can be losing 1 to 2 points of margin in missed rings, especially if you don't price average things like greens or tangerines.

Do check regularly to make sure your prices on the stand reflect what's in the register. You might be surprised by how many discrepancies there can be over time. Regular price scans can make sure things are on track.

There are lots of places and ways to look for missing margin or increased shrink, and these are just a few ideas to help you move from the red to black. More systems put into place and more controls in your department will mean less time wearing your detective hat. And that will feel much better during your next meeting with your general manager. ■



The Certified Organic Food Directory

Natural Food Network's market-leading annual directory of more than 10,000 certified suppliers. Features listings for every National Organic Program certified food and ingredient manufacturer and grower in the US and Canada.

Listings include contact details for: growers, livestock producers, handlers, ingredient suppliers and manufacturers, wholesalers and distributors plus easy-to-use look-up sections for finished products (organized by grocery aisle) with an index of commodities and organic ingredients.

\$49.95

(+\$5 shipping & handling)

Save Time - Order Online!

or call 877 236-5633

604 Price Avenue Suite 100

Redwood City, CA 94063

Tel: 650-362-1026

Fax: 650-362-1023

www.naturalfoodnet.com

Maine Coast Sea Vegetables Connect with your Inner Ocean

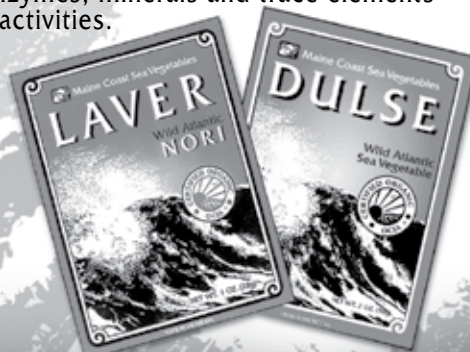


- Certified organic, wild-crafted Dulse, Kelp, Alaria and Laver from the cold, clean waters of the Gulf of Maine.
- Low-temperature dried. Rich in vital enzymes, minerals and trace elements – absolutely necessary for all metabolic activities.
- Available in retail bags or in bulk by the pound.

Avocado Dulse Dip

- 2 Tbls chopped whole Dulse, or 1 Tbls Dulse Flakes
- 1 Avocado, chopped
- 3 Scallions, sliced
- 1 Tbls Lemon Juice
- 1/8 tsp Cayenne

Blend all the ingredients and serve with carrots, celery, broccoli, bell pepper, etc.



MAINE COAST SEA VEGETABLES, INC.

Franklin, ME 04634 • 207-565-2907 • e-mail: info@seaveg.com • www.seaveg.com