

## Upcoming Events

### FMS will be attending the following:

AWG Springfield	January 14
AWG Nashville	January 21
NGA Convention	February 3 - 6
AG Florida	February 18 - 20
AWG Kansas City	April 15
AWG Texas	April 16
AWG Memphis	April 21
AWG Nashville	April 28

## Tell Us What You Think

We look forward to receiving your feedback about the articles featured in this issue. If you have any questions or comments regarding any information within this issue, please email Bob Graybill at BobG@fmssolutions.com.

To learn how FMS can enable you to improve the profitability of your operation, please contact us at (877) 435-9400 today. Or, visit our website at [fmssolutions.com](http://fmssolutions.com).



8028 Ritchie Highway, Suite 212  
Pasadena, Maryland 21122



# Smart Decisions

A bi-monthly newsletter for independent retail grocers — January 2009  
[fmssolutions.com](http://fmssolutions.com)

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### Economic Indicators:

Prime Rate	
12/29/08	3.25%
12/17/08	4.50%
01/25/08	6.50%
01/25/07	8.25%
Unemployment Rate	
Nov 2008	6.7%
Sept 2008	6.1%
December 2007	5.0%
2007 Annualized	4.6%
2006 Annualized	4.6%
10 Year Treasury Note	
12/29/08	2.13%
10/17/08	3.98%
01/25/08	3.61%
01/25/07	4.87%

### Important Dates:

Martin Luther King Day	Jan 19
Inauguration Day	Jan 20
Valentine's Day	Feb 14
Daylight Savings Time	Mar 8

## 2009 N.G.A. Annual Convention

The New Year is upon us and that means the 2009 N.G.A. Annual Convention and the FMS Financial and Technology Symposium are just around the corner. If you are attending the 2009 Convention, you are invited to the Financial and Technology Symposium as part of your registration. This year's technology portion will be focused on "The Strategic Emphasis on the Front End". Sessions will include:

- Payment Card Industry Security and Continuous Compliance Requirements
- Auto Substantiation at the Point of Sale
- DataBar 2009 and Beyond for Effective UPC Coupons, Product Management and Traceability
- Retailers Revisit the Technology for Self Check-Out

In addition to these great technology topics, retailers will share in these other financial and operational topics:

- The 2008 Independent Grocers Survey Results to include an economic and Industry Update with Food Partners
- The Importance of Technology for Increasing Sales and Reducing Shrink
- Getting A.R.M.E.D. for Battle in Changing Times with Harold C Lloyd

The event runs from 8:00 am till 2:30 pm with breakfast and lunch provided on Tuesday February 3, 2009 at the Paris Las Vegas Hotel, Las Vegas, NV.

For more information you may visit the NGA website at [www.nationalgrocers.org](http://www.nationalgrocers.org) or contact Amy Funkhouser at FMS: 877-435-9400 ext 1224. Time is running out so register for the 2009 N.G.A. Convention soon!

## How Much Cash Do You Carry?

Anne-Marie Roerink, Director of Research, Food Marketing Institute

A quick Google search on the amount of cash we carry in our wallets shows that for most it's little or none. In addition, more than half of us don't even keep any extra cash in the house. In the food industry, the move to plastic is undeniable as well. Grocery shoppers use debit or credit cards for an average 53.3 percent of total transactions. Cash transactions continue to drop, although they are making a slight comeback in today's economy. The mix of payment methods differs by store based on clientele, format, the presence of fuel operations and region. Higher-income shoppers and upscale stores tend to have a much higher percentage of debit and credit card payments. Some reported combined percentages as high as 65 percent. Reversely, low-price stores tend to have much higher check, cash and other payments. Why does this matter to both retailers and consumers? The answer is interchange fees.

Each time shoppers use plastic to pay for their groceries, retailers end up paying part of their profits to the credit card companies. The largest component of the so called "merchant discount fee" that retailers pay on every transaction is an obscure, hidden credit card fee called "interchange." Interchange fees accounted for an average of 0.66 percent of sales in 2007. While this may not look like much at first glance, with median weekly sales per store topping \$380,000 this translates into more than \$2,500 per store on a weekly basis or \$131,000 per store annually.

In these tough economic times it is crucial that businesses take advantage of any and all opportunities to save money. Credit card fees are one of the largest business costs and concerns with almost no ability to control them. Processing costs are the only component of the merchant discount fee that is negotiable. While they represent only about 10 percent of the total paid on every transaction, reducing this component can represent direct and immediate savings. Here are some ways for you to cut down on your processing costs and make every penny count.

1. Both Visa and MasterCard post their official rates on their websites. Know what the official rates are. Print them out. We haven't found even one of their 15,000 banks that offer anything other than the published interchange rates.
2. Unbundle your charges. Tell your processor you want to be on a cost plus basis. You want to see the various rates you are being charged for each of your transactions and any additional fees that are being assessed.
3. Key entered transactions are expensive (highest rate). Keep your equipment clean and in working order so the card information is captured electronically and does not have to be keyed in by hand. Train your employees that key entered transactions are frowned upon and will be monitored.
4. If you are leasing equipment, check to see when your lease is fulfilled. Some companies are billed and continue to pay for leased equipment long after the lease is fulfilled and the equipment could be purchased for \$1. Think rotary dial phones!



5. Avoid any vendor who wants to charge you a flat monthly minimum; a terminal fee; a statement fee or the like.
6. Get three bids every two to three years. There are lots of good processors and competition still exists in that market. Make sure your contract can be terminated at will or with 90 days notice after the terms are satisfied. Generally, anything over 10 cents per transaction for processing is too high.
7. You are going to be charged fines and chargebacks. Know the sources of both and work to avoid them. Know what the fines are and what caused each of your chargebacks. Look for patterns and correct them.



## CPI - What Does it Mean For You?

It was just months ago that we were all watching rising fuel prices increase packaging costs and commodity prices jumping by leaps and bounds increasing the cost of goods. This inflation resulted in significant food price inflation as the economic pressure on the consumer was growing.

However, with the downturn worldwide, we are seeing some dramatic downward changes in the Consumer Price Index. This decline is driven by a few key categories. Compared to November a year ago, transportation costs have dropped 8.9 percent, energy dropped 13.3 percent, and food at home has a 7 percent increase. However, food at home has seen some recent declines as a result of the petroleum and commodities declines with a drop of 0.3 percent from October 2008 to November 2008.

What does this mean to the grocery retailer?

- When looking at budgets and forecasts, be sure to review any built in inflation numbers. Chances are that you will see little sales growth in the upcoming year due to food inflation.

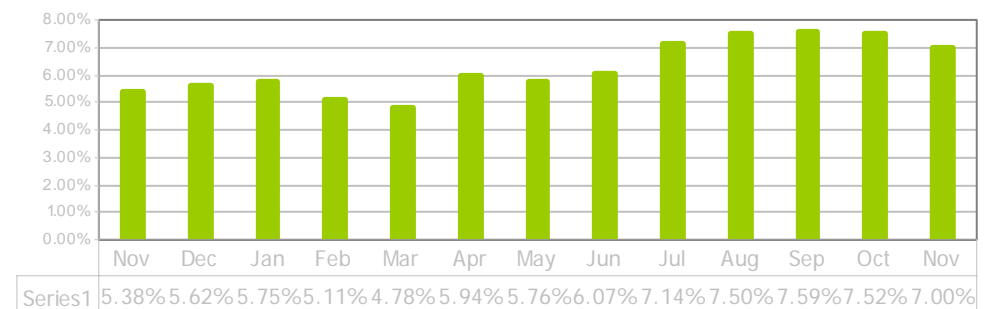
- When comparing your same store sales to last year, review the 12-month change in food inflation to better understand your position.
- On the opposite side, supply costs and commodities should help reduce expenses and cost of goods. If competitively possible, be sure to work through older higher cost inventory before reducing prices to prevent margin loss.
- Review cost of goods with your supplier. Be sure your cost of goods is declining at the same rate of your competitors.
- You should also see declines in certain expense lines. What vendors were charging you fuel surcharges? Which vendors raised your prices last year and blamed fuel and energy costs. Look at those old costs compared to today. Renegotiate those gas price differences!

In short, understand how inflation or deflation impacts your gross margins and expense lines and be sure to adjust your business plan appropriately.

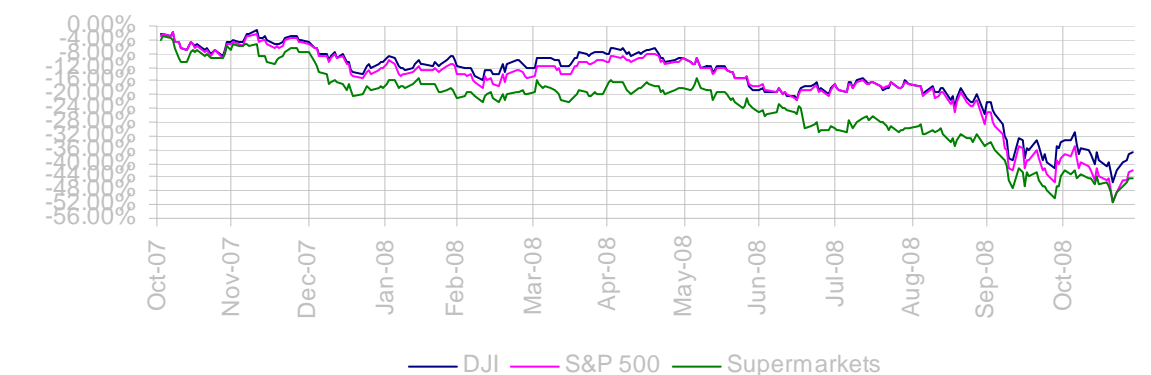
### Statistics

#### CPI-Food at Home

Change versus Same Month Last Year



#### FMS Supermarket Index



Supermarkets include the following ticker symbols: DEC, MKTA, SWY, SPTN, GAP, KR, WMK, WFMI, SVU