

Upcoming Events

FMS will be attending the following:

July 16	GA Food Dealers
August 25	AWG Memphis
August 27	AWG Kansas
September 10	AWG Oklahoma
Sept 15 - 16	AWG Springfield

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.



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Smart Decisions

A bi-monthly newsletter for independent retail grocers — May 2009

fmssolutions.com

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Economic Indicators:

Prime Rate

05/04/09	3.25%
12/29/08	3.25%
12/17/08	4.50%
01/25/08	6.50%
01/25/07	8.25%

Unemployment Rate

March 2009	8.5%
Feb 2009	8.1%
Nov 2008	6.7%
2008 Annualized	5.8%
2007 Annualized	4.6%
2006 Annualized	4.6%

10 Year Treasury Note

05/04/09	3.19%
03/05/09	2.85%
12/29/08	2.13%

Important Dates:

May 25	Memorial Day
June 14	Flag Day
June 21	Father's Day
July 4	Independence Day

A Bad Economy Can Bring Increases in NSF Checks

As the economy continues to put pressure on consumers, business owners will need to look at controls in place to protect their assets. One area that will likely affect your business as a result of a down economy is fraudulent checks and simple non-sufficient funds with regular customers. Now is a great time to look at how you track your NSF and Fraudulent Checks.

Check Cashing Procedures

There are a number of ways to go about check cashing and it often depends on your customer base and the effectiveness of employees. Below are some options that may help you reduce the expense of bad checks. However, it is critical that you measure the impact on your customer.

1. Accepting checks only for the amount of purchase or an incremental amount over the purchase.
2. Converting the check to an electronic transaction at the register. This conversion turns the check immediately into a debit from the customers account. The check is handed back to the customer as a receipt of the transaction.
3. Cashing payroll checks without a purchase. This option has a risk for fraud. Typically big issues arise when multiple checks from a company are cashed at your stores in a short period of time. If possible, record the names of company checks cashed in a given day and share with all stores. This will help bring a fraudulent check issue to light if there is a group of individuals attempting to make a quick go at bad checks in your area.

As all of us deal with customer checks in some shape, sharing data between your stores and your competitors or ad groups can help reduce the negative impact on your operation. In addition, there are services that checks can be verified to reduce the chance for NSF or fraudulent checks.

Measuring and preventing big problems

There are two ways to approach the measurement of bad checks:

1. When a bad check notification is received, you may record the check as a receivable and when collected reduce that customer receivable. This method works great if you monitor the process. If you fail to constantly review the account, you may find yourself with a build up of non-collectable checks that eventually will have to be written off as bad debt. By monitoring the problem, you can identify

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FMS' new weekly Industry Update is here. To receive this update email please visit our website at fmssolutions.com and register.



poor internal controls in a timely manner. If you choose to record your bad checks in this manner, you may want to follow some of these internal control procedures:

- Keep a running aged balance of your NSF Checks.
 - Review those over 30 days for collect ability, if they are not collectable, write them off!
 - Compare historical balances and watch out for a slowly creeping increase in total bad checks.
 - Make the write off part of your current incentive plan for employees
2. Record the checks immediately as an expense. This method allows you to see the impact on the P&L immediately and not run the risk of having a build up of bad debt. As you collect on those checks, the expense is reduced. The one downfall to this method is that you will put an expense on the P&L that may eventually be collected. However, this method diminishes the opportunity for “being too busy” and then getting surprised by a large write-off. If NSF checks are tied to incentive programs, this will help motivate follow through, as it will add to an individual’s incentive payment.

As with anything you do in your store, it is important to communicate to your associates the need to follow procedures with check cashing in a customer friendly manner. No customer likes to be given the third degree when cashing a check, but a polite front-end associate can accomplish all of your internal controls while making a customer feel welcome.

The Recession’s Tremors Are Felt Widely

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

The recession is making its impact felt throughout the grocery channel. According to FMI’s *U.S. Grocery Shopper Trends 2009*, the effect on food consumption and shopping is tremendous — presenting both difficulties and opportunities for the industry. Up significantly from 48 percent in 2008, no less than 69 percent of shoppers say that the recession is affecting their grocery shopping. Shopper reactions differ, but often boil down to three distinct steps:

1. Saving money on eating out — 55 percent of shoppers now spend less money on dining out than they did one year ago. For one, people are simply eating out less (69 percent). Additionally, 50 percent are eating out in less expensive places. Shoppers apply a variety of other techniques to save money when eating out ranging from coupons and skipping appetizers to ordering water and ordering the dinner special. Many middle-income shoppers took this first step in 2008, in reaction to the high energy prices. The recession is now causing higher-income shoppers to do the same. Demand for meal solutions among these shoppers is up as they continue to be pressed for time, while looking for ways to save money.

2. Money-saving measures at the current store — Shoppers are trading down, substituting and eliminating in efforts to save money on groceries. Pre-trip, shoppers spent a lot more time browsing grocery flyers, clipping coupons, researching deals and developing their grocery lists. In-store, they compare unit prices, locate sales specials, and resist impulse purchases and luxury goods. The most popular in-store money-saving measure is the purchasing of private brand products: 66 percent of shoppers now purchase private label on a regular basis. The recession accelerated the adoption of private-label foods among the higher-income shoppers. This trend is likely here to stay as one-quarter of shoppers expect they will purchase more private brands one year from now. Mid-and-low income shoppers are especially likely to combine a number of these money-saving measures.
3. Switching primary grocery stores — Shoppers tend to have a great loyalty to their primary store and it is not surprising that only 6 percent have switched primary stores out of money-saving considerations. However, the same cannot be said about the secondary store or quick trip: 45 percent of people occasionally stop in at other stores or formats to capitalize on sales specials.

With shoppers’ increased focus on saving money, weekly spending has remained roughly the same compared with last year at \$98.40, despite the increase in home-cooking. Weekly trips remained low at 2.0 visits, up slightly from 1.9 in 2008. Price has become shoppers’ primary means of comparison. When asked for just one overriding factor, 37 percent point at “low prices,” followed by great product variety (13 percent) and a convenient location (9 percent). This increased focus on price and value is playing out in channel selection and causing further erosion of the supermarket share. Down from 60 percent in 2009, 56 percent of shoppers identified a full-service supermarket as the store where they spent the majority of their grocery budget. Supercenters, while trailing far behind, gained ground again and captured 27 percent of the market.

So what does this all mean for the balance of 2009? Clearly shoppers are making major changes in their attitudes and purchase patterns as outlined in this report. Many of these changes appear to be quite durable and not likely to be abandoned quickly even after the economy improves. This offers important new opportunities for those able to respond quickly and connect with their own shoppers in innovative new ways. Retailers who accomplish this will build a sustainable competitive advantage that will serve them well for years to come.

U.S. Grocery Shopper Trends 2009 is now available in PDF or hard copy at www.fmi.org/store/. Starting at \$95. This report is made possible with the generous support of PepsiCo.

System Security

For most of you, year-end closing and work with your tax accountants and planners are over. The Easter holiday has passed and summer vacations are ahead. What better time to review your system security than when you do not have another excuse to put it on tomorrows to do list!

Passwords give all of us access to a wide variety of information, bank funds, or control systems. Many times employees are given passwords that are never disabled after their termination. Or worse yet, an employee shares their password with another employee who is then terminated and the original password is never changed.

To make the task of securing your data easier, consider the following:

- Make a list of all user Id’s by system
- Immediately remove terminated employees (if any)
- In an employee’s personnel folder, place a list of their user id’s (obviously without passwords)
- When an employee is terminated or leaves, this list should be provided to the IT department for appropriate action.

By placing the information in the personnel folder, it becomes an instant reminder for employees who are terminated or leave the organization. To prevent the sharing of ID’s and passwords, be sure your HR employee handbook lists this as a serious offense. In addition, periodically force the expiration of passwords. This will help cycle through old logins that have been shared in the past.

A little effort today will prevent a major issue tomorrow!

Child Labor

As you prepare for the summer season, it is good to review your compliance to federal, state and local labor laws.

Below are a few federal age restriction notes:

Age Certificates

Employers should keep an employment or age certificate on file for each minor employed. Certificates can usually be obtained from the school or school district.

Children age 13 and under

As a general rule, employers should not employ children age 13 or under, unless they are family members.

Children age 14 and 15

Under the Child Labor Act, employment of children 14 and 15 years of age is limited to occupations and conditions which do not interfere with their schooling, health or well-being. Exceptions are made for approved Work Experience and Career Exploration Programs (WECEP).

Hour/day restrictions

Children ages 14 and 15 may not work more than the following:

- A maximum of 3 hours on any school day and 8 hours on any non-school day.
- A maximum of 18 hours a week during weeks in which school is in session and 40 hours in other weeks.
- All work must be done between 7:00 a.m. and 7:00 p.m., except from June 1 through Labor Day when the work hours may be between 7:00 a.m. and 9:00 p.m.

Children age 16 and 17

Children age 16 and 17 have no federal hour or day limitations, but be aware that some states do have such restrictions and the most stringent law applies.

Again, please check with the appropriate government agency to ensure that you are in compliance to **all** federal, state and local laws. Department of Labor - www.dol.gov.

