

Part 4 of 7

FUELSTREAM
Fuel Industry Best Practice Newsletter

FUTURENT
CONSULTING

NATIONAL
GAZELLES
Proud member
National Gazelles
TOP 40 2016



FUELSTREAM Newsletter #50: "Top 5 Ways you may be losing profits" and another 3 "Management Rules"

Top 5

Top 5 Ways you may be losing profits

1. Insufficient controls

- Why: Running a site is all about daily controls. The phone calls we get from Dealers who need help often starts with a review of daily controls in every area of the business.
- What: It's important to understand that a site should run on systems. These systems can be manual, computerized or virtual. But, all systems have specific control points. A good control point will tell you, beyond doubt, that something has been done or not done. These control points must be measured through a daily control process.
- Where: We find the most gaps in daily controls in the following areas:
 - Marketing - insufficient control of up selling & promoting, or not using an opportunity to sell to a customer
 - Margins - potential profits being lost because margins are managed monthly or quarterly instead of daily
 - Wages - unnecessary overtime being paid
 - Customer service - inconsistent service being provided because there aren't enough staff on duty
 - Training - staff being trained every few years, if ever, instead of refresh training on a monthly basis for the duration of their employment

- Stock - stock losses due to improper receiving, merchandising or stock counting
- When: Daily controls are exactly that - DAILY activities that ensure the process is being followed
- How: The best daily controls are the ones being measured. Peter Drucker said "What gets measured, gets managed". If you're not driving the measurement of controls on a daily basis, they will likely fall behind and create a gap.
- Best practice: Don't try to control every little step in a process. Find the critical points that, if measured, will prove that the previous steps have been done. For example:
 - Setting up a daily control sheet for your cash ups and filling in all the cashier information is a process with dozens of steps. However, if you implement a control point where the senior manager compares the daily control sheet totals with the End of Day report totals and has to sign off each day, then you can be more certain that it has been done correctly. Of course, you also need to have another control point such as a bank recon to make sure all the money eventually went into the bank.

2. Margin optimization

- Why: The buffer that's available on margins has been under pressure for years and at this point Dealers can't work on averages anymore. What's needed is detailed margin optimization on a daily/weekly basis on all categories.
- What: Margin optimization means ensuring that you are running at the highest possible margin, without affecting customer price perceptions too much so that customers form a negative opinion of the site.
- Where: Optimization happens on site with the Dealer, Manager and Back Office involved in various stages of the process.
- When: This should happen on a daily/weekly basis.
- How: This starts with the Dealer reviewing the Management Accounts of the site and breaking the objectives down into target margins for each category. Then the Back Office has to ensure that selling prices are set based on the target margins. Then the manager (or Dealer) will review reports and make additional changes where he/she has identified margin and price gaps. This process happens again and again.
- Best practice: Remember that profitability is NOT a management task. It's a Dealer task. You can't give the responsibility of profitability to someone who isn't part of the ownership of the business. Therefore setting target margins is a Dealer task, but changing prices based on those target margins is a management / back office task.

3. Customer obstruction

- Why: In a previous edition we mentioned that customer obstruction is where you make it MORE difficult for a customer to buy.
- What: It includes examples such as no price labels, out of stock, incorrect pricing at the till, lack of knowledge of staff, failure to up sell, etc.
- Where: Obstruction can happen anywhere that customers are.
- When: Obstruction is mostly found at the time a customer makes a decision to buy, or tries to buy. For example: a customer wants to buy a slab, but there are only prices for the count lines. The customer chooses the count line because she doesn't want to get to the till and find that she doesn't have enough money. The missing price label is a customer obstruction.
- How: You can remove customer obstructions by being fanatical about identifying delays, problems or challenges in your processes.
- Best practice: Watch your customers. Any time they are waiting, asking, uncertain or decide NOT to buy it's most likely due to an obstruction. Investigate and try your best to remove the obstruction.

4. Wasteful expenses

- Why: Losing money is the worst result for any business. Losing money on an expense that doesn't benefit the site is a good place to start investigating.
- What: Granted, there is definitely a point where spending LESS, actually damages the business. However, you should be constantly reviewing expenses and making sure that you're not spending by default, but spending by decision.
- Where: We find some of the most common wasteful expenses to be:
 - Buying stock that doesn't sell and then writing it off as waste
 - Spending on CCTV cameras but not reviewing the footage or comparing it to the journal
 - Appointing managers and supervisors and then failing to manage their performance
 - Paying someone a salary as a supervisor, but they work as an attendant
 - Paying a manager's salary, but they work as a supervisor
 - Spending on cleaning and car wash chemicals, but not spending on portion control or decanting containers
- When: As you can see, wasteful expenses are also linked to daily controls. This means that the control measure determines whether the expense is wasteful or not.

- How: You should be reviewing your expenses on a monthly basis and making sure that the controls are actually in place.
- Best practice: It's not always beneficial for a business to cut expenses whenever they can. As noted, this can hurt a business. However, if you can reduce an expense and still get the same or even a better result, then it's a great idea.

5. Default setting

- Why: "Default setting" is a concept that's recently been in the news. It refers to decisions that have been made for you by the service provider or manufacturer. E.g. the notifications settings on Facebook are set to remind you whenever there is something new, by default. This is to their benefit, not yours,
- What: You can use the principle of "Default setting" to your advantage or disadvantage. E.g. if the default setting is that every daily control sheet MUST be signed off by the manager on duty, that's beneficial to the business. If the default setting is that no-one checks the daily control sheet, unless instructed to, that's detrimental to the business.
- Where: Default settings are often the most standard, easiest, comfortable way of doing something wherever an activity takes place.
- When: Same as above, default settings come into play when an activity takes place.
- How: You can change the default setting, or implement a new one, by reviewing your processes and deciding what it should be. Here are some examples of a few default settings:
 - When you arrive at the site, the cashier immediately prints the ATG readings for you
 - Whenever an invoice is captured, the cost price changes must be highlighted
 - Whenever cash is taken from a till, a pay-out must be done and the slip signed
 - Whenever a discussion is held, the first question is "does this affect health & safety"
 - Whenever the store room door is opened, it closes automatically
 - Whenever anyone walks past the cashiers towards the back office, a motion sensor will ring a bell
 - Whenever a fuel delivery is made, the fuel delivery checklist is used
- Best practice: Remember that a default setting is the fall-back position. It's the thing that will happen almost every time, despite the circumstances.

Management Rules

Here are another 3 rules to consider:

These 3 rules focus on customer communications, customer service and the basic job of a forecourt attendant:

1. Marketing - "Hello and goodbye is where loyalties lie"
 - a. Research has shown that Hello and Goodbye are crucial to the overall customer experience. Even if the in-between interaction is less than positive the customer can still have a positive experience if the Hello and the Goodbye are done well.
2. Marketing - "Match it well to up sell"
 - a. Up selling is not just about offering something else. It's also not just about promotions. It's about matching the right suggestion with the right situation. E.g. if a customer is buying a Coke, the best match may not be to offer the Coke promotion, offer a chips or chocolate promotion that will get the customer to buy a completely different product, than just buy more of the same product.
3. Marketing - "WOWW service"
 1. Windscreen, Oil, Water and Wheels service is the standard. At some sites, these are called "the extras". That's not true. WOWW is the basic job. Not an extra. If you offer these 4 items you are only providing what the customer expects. Not great service. Great service is about doing something on top of that.

©



+27 (12) 804 5066