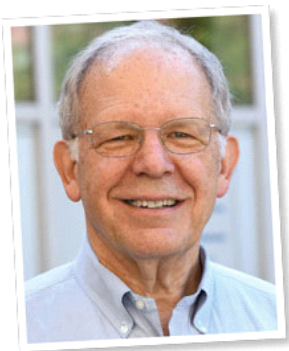


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The Partner You Didn't Invite

Bill McCurry



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Your team worked hard to bring the spring season to a profitable close, but how much of your profits did “uninvited partners” suck out of your business? I’m talking about thieves, criminals and other assorted lowlifes.

Theft is economically and emotionally painful to your organization. Using rough figures, let’s assume you have shovels that cost you \$25 each and are on sale for \$40. Let’s also assume your annual net profit (after all expenses) is 5%. If one of these shovels is stolen you would think you’re out \$25. Actually, if your net profit is 5%, you must generate a minimum of \$500 in sales to cover that cost—and even more if you have variable costs like credit cards, etc. Just remember the formula below:

Loss divided by profit margin = needed sales

$\$25 / .05 = \500

Resellers never get to play with whole dollar bills. Everything sold has hard cash costs attached. Every product you grow has physical input costs and labor costs. A large portion of every dollar you collect has to go to pay these costs before they cover overhead, let alone profit. Stolen or mistreated plants that become a write-down are hard dollar costs that can only be paid out of profit dollars.

Shoplifting, employee theft, burglary and other property crimes are rising—how are you alerting your people to handle crimes? These issues must be discussed. A recent Axonify survey showed 40% of employees “felt scared to go to work.” The survey size was 1,000 retail employees and Axonify sells employee education, so perhaps the survey is biased, but it’s worth reading. Other relevant substantiating information from diverse sources is included, indicating two in five employees have a fear of being at work.

Do your employees know you consider their health and safety more important than product? We had an employee chase and tackle a shoplifter. Customers and other employees sat on the perp until the sheriff arrived. The sheriff handcuffed and frisked him, pulling a 12-inch “pigsticker” out of the crook’s boot. When he saw the knife, our employee fainted, hit his head, resulting in a concussion. The product value is insignificant if someone’s life is endangered. Do your employees know how to act in these situations? Have you clearly communicated your policy as to what’s important?

The part of retailing I hate most is internal theft. The pain on the employee’s family can’t be measured. A former cop

told me, "If you don't prosecute, you're hiring people for '\$XX-an-hour and all they can steal' until we catch them. You must prosecute so the good people are encouraged to stay good."

In every single situation where employee theft was involved, common sense and company policies were not enforced.

- Bank deposits weren't made daily, so stacked up cash tempted people.
- After hours register close-outs weren't done in a secure area or weren't guarded, so employees took "free samples," planning to "pay it back after payday."
- Managers took product after the store closed, telling employees they would "pay for it tomorrow." The managers never paid, encouraging four other employees to access the same "fringe benefit."
- An accounts payable clerk wrote a check to her personal credit card. It sailed through the system without question that month and every month for six years and tens of thousands of dollars. When asked about her sudden upgraded lifestyle, she said her aunt died and "left me a little money."

It's really hard to accept that we must have policies and procedures to protect our assets. While it's difficult to constantly enforce them, you'll find it's much easier than dealing with the pain and suffering a lapse in policy brings. Since the losses won't get made up, you've lost economically, while both you and the impacted employees have lost emotionally.

Good management ensures everyone knows the rules and everyone complies. It's the best solution. **GP**

Bill would love to hear from you with questions, comments or ideas for future columns. Please contact him at wmccurry@mccurryassoc.com or (609) 731-8389.