



Making Sense of Outsourcing

A Rational View of Inventory Audits \$10.00

It doesn't matter what industry you research, *everybody* is outsourcing one service or another. Business management and profitability gurus like Tom Peters, and others, all make the argument to focus on what you do best, and leave tasks that are not part of your core business to specialists in those fields.

Outsourcing's Impact On Addressing Fiscal Realities

The entire C-store industry is being asked to tighten its fiscal belt while doing more.

Each day, convenience store operators face these questions:

- How can I increase sales in existing stores by 5-8 percent?
- How can I better focus on areas of maximum impact?
- How can I improve service, but still make better use of my employees' time?
- Can my organization be simplified?
- How can I most effectively invest capital improvements?
- What do I need to do to be an employer of choice?

While an executive's first instinct says, "let's solve this ourselves," evidence is piling up that doing so does not help answer the questions above. That is why many C-store operators have moved, or are moving, to turn over shrink measurement and all store audits to outside companies. They cite specific hard- and soft-dollar benefits that make a difference on the front lines of their businesses.



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Quantum Services

Quantum Services, headquartered in Columbus, Ohio, has performed more than 1,700,000 c-store audits since the firm was founded -- and serves the c-store industry *exclusively*. Quantum's audits and inventories are backed by in-depth knowledge about store level operations to help operators and store managers rapidly improve profits and performance.



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Hanging Onto Talent

Finding people who can handle the audit is tough enough — holding on to them is even tougher. Moreover, C-store management cannot resist taking talented auditors out of their positions and turning them into store managers or supervisors. While the intent is to better leverage their skills and competencies in the core business, the net result is that audit talent is diluted. And assuming the worst performing auditors leave the organization, the result can be a mediocre audit program.

(How do we deal with the talent issue at Quantum Services? We continually invest in personnel, develop their skills with ongoing training, and provide a clear career path within our organization. Quantum employees are always serving the customer regardless of the role they fill, from those who focus on fieldwork to those who specialize in technology.)

Profiting From Core Business Strength

Many C-store executives are quite open about the fact that they are not auditing experts. Their primary focus is to operate convenience stores and to serve customers. "Why would I want to create an internal department that has nothing to do with the core business?"

In some businesses, the rule is "if you don't carry a bag, you're baggage." Translation: If you're not part of the business that sells product in one manner or another, you're not contributing to the business.

By outsourcing audits, C-stores also raise the bar on credibility and accountability. Internal auditors often are handed many time-consuming accounting, paperwork and inspection responsibilities that dilute their core function. External auditors, in contrast, are measured on how well they perform their core auditing function.

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Keeping Costs Down

Outsourcing C-store audits reduces the cost of the audit itself, and also delivers these savings:

- Reduction of overhead, company cars, inventory, maintenance contracts and office space?
- Cost savings over existing expense structures
- Improved cost flexibility
- Reduction in training costs
- Reduced labor costs
- Reduction in acquisition costs for materials and services

In addition, if internal audit crews, which are a fixed cost, miss something in the store counts, it costs the organization — both in terms of the potential inventory miscounts, and for the auditors' time. In contrast, outside audit services (should) offer a “no questions asked” guarantee. If you are not satisfied, you don't pay. (At Quantum Services, our guarantee is simple . . . if you are dissatisfied with our service, simply notify us within 90 days and there will be no charge for the audit.)



Keeping Pace With Technology

Back office processes that help streamline store functions are changing rapidly. Internal audit programs may have trouble adequately keeping pace with the technology and process developments impacting stores. Because of this, companies may be relying on service that is outdated. It is difficult for internal audit departments to compete for capital because they are up against other departments that directly serve customers and/or generate revenue.



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Enjoying Tremendous Flexibility

Companies frequently experiment with audit frequency in order to find the “magic number” that will reduce shrink while simultaneously satisfying budget concerns. This “up and down” approach often wreaks havoc on the internal audit organization. Staffing is constantly being upsized or downsized in order to keep up with the latest directive. The consequences are an audit staff that can be severely demoralized, and a program that suffers.

If C-stores that outsource their audits want to change frequency, a simple phone call is made. That’s it! No worries about staffing! When you outsource, there is great flexibility; the problems of upsizing and downsizing are not your problem.

Keeping Control

Because their core business is providing audits, audit service firms are focused on being responsive to clients. This gives clients great control to readily shift audit schedules, as needed. Whereas, internal audit departments are usually structured to optimize their own departmental agenda.

Conclusion

Take a serious look at how to achieve higher profits, lower costs, greater flexibility, control, resource deployment, and quality. And then, determine for yourself if outsourced audits could help your organization.

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