

Purchasing Guide to Inventory Audits for Convenience Stores



When I look at you, I see the Rock Stars of the B2B Age! ...That is, I fervently believe purchasing professionals should see themselves as Rock Stars... Champions of Bold Change... Re-inventors of Enterprise.

*~ Tom Peters, addressing the Institute for Supply Management
From: Re-imagine! Business Excellence in a Disruptive Age*

RFP TEMPLATE INSIDE ▶▶▶

To assist you with the process of selecting an inventory auditing firm, we are providing tips to help you make sure you are:

- *covering the bases,*
- *asking the right questions, and*
- *getting the information you need to make a good decision.*

Following each tip are key questions / information you could include in your RFP.



Table of Contents

SECTION I

CAPACITY & KNOWLEDGE2

1. **Geographic Scope = Greater Consistency**
2. **Financial Stability is Critically Important**
3. **Understanding of the Convenience Store Industry**
4. **Understanding Your Company**
5. **Store Manager Ratings**
6. **Software Support**
7. **Convenience Chain Client References**
8. **Item-Level Scan Audit Experience**
9. **Auditors / Staffing**
10. **Impacting Profits, Performance, & Competitiveness**

SECTION II

CONTRACT TERMS8

1. **Price / Rates**
2. **Guarantee**
3. **Optional Services**
4. **Frequency of Audits**
5. **Audit Reporting**



Use this guide to get
SUBSTANTIAL
SAVING \$\$!!

Creating an Effective RFP for C-Store Inventory Audits

It can be true that Request For Proposals help you purchase the best value for your c-store inventory audit services. It also can be true that an RFP written by a selection committee or a purchasing department that does NOT fully understand how to make the best purchase will not provide you with the best value.

C-stores are uniquely different from "big box" retailers, drugstores, specialty stores, grocery stores, and other retail businesses. Many people in the c-store industry often overlook the special challenges of c-store audits, and thus overlook how to get the best value for their money when it comes to selecting a company to conduct their inventory audits. As you will learn in this Guide, inventory audits for c-stores are much more complex than they appear on the surface and involve a great deal more than just "counting inventory."

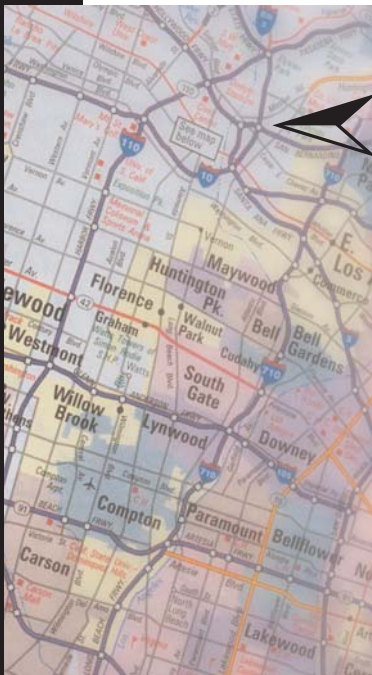


"Copy/Paste" is an efficiency tool! —and it's free!

Go to www.quantum-services.com/rfp

SECTION I: CAPACITY & KNOWLEDGE

It is important to understand how well the auditing firm fits with your company and your needs. Knowing more about the auditing company will help you make a better decision.



“Can you help me here? ***NOW?***”

1. Geographic Scope = Greater Consistency

Having one vendor who can cover your geographic scope means greater consistency with audits. Because consolidations, acquisitions, and other changes can effect audits, it is helpful to know how well your contractors can accommodate your *present and future* geographic locations.

The benefits of having one vendor to audit all of your stores include:

- ➔ Consistency of audits, audit results, and audit reports.
- ➔ Reduces the resources you need to manage and oversee the audit function.
- ➔ Greater effectiveness and value because your vendor becomes familiar with your company.

FOR YOUR RFP:

➔ Our stores are located in the following geographic locations:

Example:

Able to provide audits?

Columbus



Cleveland



Ann Arbor



Lansing



ETC.

2. Financial Stability is Critically Important

You should not accept a vendor's liability issues nor suffer because the vendor is not financially stable.

FOR YOUR RFP:

- ➔ How long has your company been in business?
- ➔ Provide details of liability coverage and a certificate of insurance naming us as an additional insured.

3. Understanding of the Convenience Store Industry

A convenience store audit is not the same as a department store or supermarket audit. Hiring an auditing firm with c-store specialization provides you with access to a wide variety of insights that save you money and make you money. Knowledge of the industry helps to quickly identify problems and implement solutions.

Vendors who attempt to provide service across a wide variety of retail sectors usually provide a generic audit service. Thus, the RFP should have the contractor provide the following:



FOR YOUR RFP:

- ➔ What percent of your revenue is from c-stores? _____%

4. Understanding Your Company

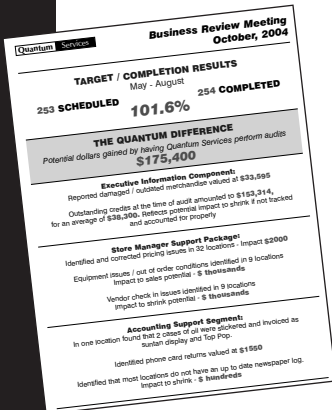
Audit results are only useful if they make sense in your world. Thus, it is important that your vendor understand *your company's goals, culture and plans*.

FOR YOUR RFP:

- ➔ Please describe *your* understanding of *our* corporate culture.
- ➔ Please describe how *your* firm would work to fit with the needs of *our* culture.
- ➔ Please describe your understanding of our corporate goals and plans - and the role of your firm to support them.

5. Store Manager Ratings

An audit firm that is serious about quality will have a process in place that your store managers can use to provide regular feedback to you and to your auditors.



FOR YOUR RFP:

- ➔ Do you have a process in place that provides regular feedback from our store managers about the quality of auditors?
- ➔ Provide an overview and examples of the feedback reports.

6. Software Support

To keep your costs low and to make the reporting of audit results fast and efficient, your auditors need to be able to adapt their software system to fit yours.

FOR YOUR RFP:

- ➔ Provide a list of the contacts at c-store chains with whom you transfer data electronically.

7. Convenience Chain Client References

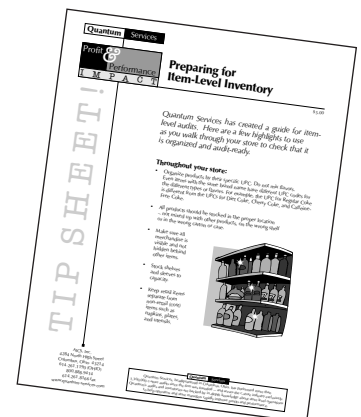
References are important and demonstrate the contractor's ability and history of providing service to c-stores.

FOR YOUR RFP:

- ➔ Provide letters of reference.

8. Item-Level Scan Audit Experience in C-Stores

While you may not require item-level scan audits today, you may in the future. You want an auditing firm with specialized knowledge of converting c-stores to item-level audits along with the capacity to conduct them. *(You may request a free copy of Quantum's PROFIT & PERFORMANCE IMPACT materials if you wish to learn more about the complexity of the problems and solutions involved with scan audits for convenience stores.)*



9. Auditors / Staffing

Many audit firms differ in their staffing, employment, and outsourcing policies. Knowing more about your vendor's staffing and employment policies will help determine how their services will work with your stores.

a. Employee Retention & Turnover Rates

The quality and reliability of the audits -and the expertise to provide analysis of the audit results- is influenced by the experience level of the auditors and especially of audit supervisors. You will want the audit firms to provide information on employee retention in their proposals.

FOR YOUR RFP:

➔ Provide the average tenure of employees by position.

b. Pre-employment Screening

Pre-employment screening is an important factor for both the quality of the audit and to reduce exposure to liability.

FOR YOUR RFP:

- ➔ Do you conduct background checks on all auditors?
 - ➔ If so, please provide specific details of the background checks you conduct.
-

c. Part-time / Full-time

While some audit firms have full-time staff, many vendors have audit personnel who work part-time or to whom they outsource (*contract out*) some of their audits. Not all audit firms disclose this information, yet outsourcing and part-time audits can reduce the level of service, the consistency of your audits, and the reliability of your audit results. Thus, you should ask the contractor to supply information regarding the type of employees who will be performing the work.

FOR YOUR RFP:

- ➔ Provide information about your audit personnel:
% full-time _____, % part-time _____,
% contract employees _____
-

d. Auditor Benefits Package

Employee benefit packages often correlate to a higher level of audit accuracy and analysis, because of improved retention of experienced auditors.

FOR YOUR RFP:

- ➔ Provide a list of benefits (and details of those benefits) and percent of audit personnel who are eligible for these benefits.

e. Drug Testing

Drug testing is important for a variety of reasons. Obviously you do not want auditors in your stores whose accuracy and efficiency are impaired by the use of illegal substances. Nor do you want auditors who are likely to steal from you to support their drug habit. Perhaps more important is to avoid exposing your company, your employees or your customers to the liability risks associated with being in close proximity to drug abusers. The best drug testing programs include: all employees are tested pre-employment by a certified agency; random sampling quarterly of all employees, testing as the result of probable cause, availability of confidential help/counseling.

FOR YOUR RFP:

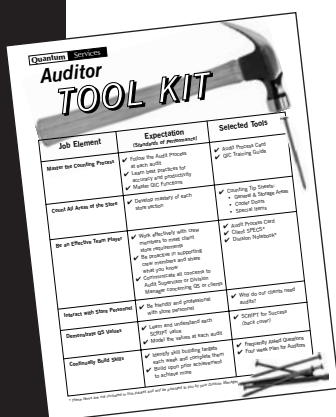
- ➔ Do you have a drug testing program in place? If so, provide the details of how it works.

f. Training / Curriculum

Auditor skills are critical to audit quality. The audit firm should be able to provide you with a curriculum and details about an ongoing program for training and developing the skills of their auditors.

FOR YOUR RFP:

- ➔ Provide information about how you train new auditors, and describe your curriculum for continually improving their skills.



10. Impacting Profits, Performance & Competitiveness

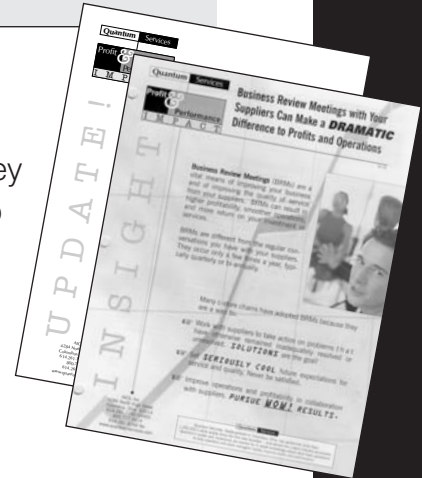
Audits for audits sake don't provide enough value for the money. Thus, you should expect your audit firm to provide you with practical, real world, and cost-effective suggestions that increase your profits and that enhance your company's ability to compete.

FOR YOUR RFP:

- ➔ Provide your plan/process for helping us improve our profits, store-level performance, and competitiveness.

NOTE: In the vendors' responses, look for:

- 1.) information about reports that have the right amount of detail for c-store use. Make sure they are organized in ways that make them easy to read and understand.
- 2.) specific actions such as regular Business Review Meetings (BRMs). BRMs are helpful because they are focused on problem-solving and continuous improvement. Your auditors should review data, provide suggestions, and help you take actions to increase profits and performance.



SECTION II: CONTRACT TERMS & DETAILS

1. Price / Rates

Pricing and rate structures are important to examine in detail. Make sure you know what is included. Some audit firms include travel, others don't. Some firms provide a variable rate by inventory level or by geographic location, others don't.

FOR YOUR RFP:

➔ Use the following - current retail inventory for each location by department or category inventoried:

Example:

Store #	Cigarettes	All Other Inventory Categories
Store 1	\$42,000	\$15,500
Store 2	\$38,000	\$14,500
Store __		
Store __		
Store __		
Store __		
Store __		
ETC.		



NOTE: When you analyze the vendors' pricing, pay special attention to how they charge for auditing cigarettes. For example, do they have the I.T. capability to break out cigarettes as a separate charge? Do they provide a special, lower rate for cigarettes?

Examine the details.

2. Guarantee

In today's world, “money-back” guarantees are standard. The best guarantee is the “unconditional 100% money-back” guarantee. This means that you, the client, are the judge and jury, and thus for *any* reason you believe to be valid (*even if you don't like the auditors' haircuts!*), you can request and receive 100% of your money back for any and all audits.

FOR YOUR RFP:

➔ Please provide details about your guarantee of satisfaction.

3. Optional services

Vendors that specialize in c-stores should be able to provide a long list of add-on services from which you can choose. Examples include: counts of cash and lottery, out of stocks, store condition evaluation reports, and deli or cash audits.

FOR YOUR RFP:

- ➔ Provide a list of the additional services you are able to provide in addition to a count of the physical inventory.
- ➔ At a minimum, we require the following:

4. Frequency of Audits

Audit frequency depends on many factors, such as store manager turnover, store manager experience, data that indicates there are problems with a specific store, etc. The industry standard is once per month. To provide you with an accurate cost estimate, the audit service vendors need to know what frequency you anticipate.

FOR YOUR RFP:

➔ We anticipate the following audit frequency: _____

5. Audit Reporting

How will the audit data be delivered? Experienced audit firms can provide reports in a variety of formats. Electronic Data Reporting/Transfer, for example, has many financial and operational benefits. Even if you aren't prepared to use EDR/T at this point, you want to hire an audit firm that can provide EDR/T when you are ready. *(For more details, see Quantum's Electronic Data Reporting Tip Sheet.)*

	Price	Prior Price	Price	Count	Count	Count	Dollars	Dollars
				Today	Today	Diff		Diff
Account:	CHEV							
Store:	1231							
Audit Date:	2/28/02							
Tobacco	Reg Packs	3.65	3.65	4796.10	1314	-94	1671.70	-343.10
Tobacco	Diplay Reg Packs	3.65	3.65	2025.75	555	458	365.00	1671.70
Tobacco	Reg Cartons	36.50	36.50	4088.00	112	10	131.20	131.20
Tobacco	Gen Packs	3.20	3.20	752.00	235	41	32.00	32.00
Tobacco	Gen Cartons	32.00	32.00	352.00	11	1	-37.35	-37.35
Tobacco	Value Generics	2.49	2.49	102.09	41	-15	1819.45	1819.45
Tobacco Total				12115.94	2268	401		
Serv & NonRetail	30 Min Phone Card	5.99	5.99	119.80	20	-15	-89.85	-89.85
Serv & NonRetail	60 Min Phone Card	10.99	10.99	230.79	21	-3	-32.97	-32.97
Serv & NonRetail	120 Min Phone Card	17.99	17.99	197.89	11	-1	-17.99	-17.99
Serv & NonRetail	\$5 Phone Card	5.00	5.00	0.00	0	-3	-15.00	-15.00
Serv & NonRetail	\$10 Phone Card	10.00	10.00	0.00	0	-4	-40.00	-40.00
Serv & NonRetail	\$75 Phone Card	75.00	75.00	150.00	2	0	0.00	0.00
Serv & NonRetail Total				698.48	54	-26	-195.81	-195.81
Grocery	Toy Cars	6.99	6.99	139.80	20	-5	-34.95	-34.95
Grocery	New Toy Cars	7.99	7.99	0.00	0	-3	-23.97	-23.97
Grocery	Mini Toy Cars	3.99	3.99	829.92	208	28	111.72	111.72
Grocery Total				969.72	228	20	52.80	52.80
Lottery	\$1 Lottery	1.00	1.00	1043.00	1043	51	51.00	51.00
Lottery	\$2 Lottery	2.00	2.00	2740.00	1370	-52	-104.00	-104.00
Lottery	\$5 Lottery	5.00	5.00	0.00	0	-75	-375.00	-375.00
Lottery Total				3783.00	2413	-76	-428.00	-428.00

FOR YOUR RFP:

- ➔ What are the formats in which you can deliver audit results?
- ➔ Can you provide electronic data reporting/transfer of audit results? If so, provide examples of your EDR/T and client references.

Quantum Services

A photograph of a person's legs in dark jeans and boots, standing next to a red electric guitar. The background is a warm, glowing orange and yellow light, suggesting a sunset or sunrise. The guitar is a solid-body electric guitar with three humbucker pickups and a bridge pickup. The person's legs are positioned to the left of the guitar, and the guitar is positioned to the right of the person's legs. The overall mood is artistic and creative.

AICS, Inc. → 4284 North High Street → Columbus, Ohio 43214
614.261.1190 (OHIO) → 800.888.9414 → 614.261.8166 fax
www.quantum-services.com