

Mind Your Meat, Part 3

Monitoring invoices and sales is key to profitability

BY ROBERT DUNCAN

Co-op meat managers will do well to develop a discipline of monitoring daily invoices and daily sales for their departments. By matching daily sales revenue against daily invoices, over time, the meat manager should begin to see some useful patterns emerge. These patterns will give good indications of how the department is performing, well before the accountant closes out the quarter.

Further classifying your sales and purchases into subgroups like fish, meat, poultry, and sandwich meats makes it easy to see the flow and success of the various product groups in your department. It is very important to be sure you are logging all invoices in the same systematic way. In time, this log will provide a visual reference that will let you know if your department is under or over your budgetary goal.

Inventory management

Inventory management is one of the principal functions that separates meat cutters from meat managers. The meat department manager will do well to review each invoice to verify that quantities received are accurate, to catch miscalculations, notice unpaid credits, and detect other inaccuracies that could spoil margins and cost the co-op money.

The chart at right is an example of totals for 10 weeks in one quarter.

Tracking weekly purchases and sales onto a spreadsheet provides a good visual monitoring tool for your department. It also draws attention and awareness to purchasing anomalies, such as meat department purchases in the seventh week in the chart example. Overspending in a meat department reveals itself in low gross margins, spoilage and may also result in increased labor due to excessive handling. As with all new disciplines, committing to and mastering these simple spreadsheets will eliminate hours of work and anxiety in the future and create immediate gains for your department.

Editor's note: Parts 1 and 2 of Duncan's review of meat department management appeared in the November–December 2008 and January–February 2009 editions and can be found at cooperativegrocer.coop.

Tracking purchases and sales

Fish				Poultry			
	Purchases	Total Sales	Gross Profit		Purchases	Total Sales	Gross Profit
Week 1	\$3,004.67	\$4,240.23	29.14%	Week 1	\$5,438.35	\$11,782.39	53.84%
Week 2	\$3,094.42	\$4,514.16	31.45%	Week 2	\$8,187.83	\$13,674.42	40.12%
Week 3	\$3,857.44	\$5,160.51	25.25%	Week 3	\$10,705.90	\$14,044.87	23.77%
Week 4	\$3,029.95	\$5,401.29	43.90%	Week 4	\$8,919.99	\$14,007.45	36.32%
Week 5	\$2,915.27	\$4,555.02	36.00%	Week 5	\$7,589.96	\$14,064.50	46.03%
Week 6	\$2,894.37	\$4,829.83	40.07%	Week 6	\$8,738.31	\$14,253.45	38.69%
Week 7	\$3,386.46	\$5,327.13	36.43%	Week 7	\$8,140.81	\$12,223.44	33.40%
Week 8	\$2,796.78	\$5,855.18	52.23%	Week 8	\$8,702.93	\$15,823.19	45.00%
Week 9	\$4,188.20	\$5,452.38	23.19%	Week 9	\$7,487.39	\$12,806.82	41.54%
Week 10	\$3,072.91	\$5,862.42	47.58%	Week 10	\$8,054.83	\$13,774.80	41.52%
Total	\$32,240.47	\$51,198.15	37.03%	Total	\$81,966.30	\$136,455.33	39.93%

Meat				Totals			
	Purchases	Total Sales	Gross Profit		Purchases	Total Sales	Gross Profit
Week 1	\$5,202.11	\$8,616.73	39.63%	Week 1	\$13,645.13	\$24,639.35	44.62%
Week 2	\$6,816.08	\$8,608.08	20.82%	Week 2	\$18,098.33	\$26,796.66	32.46%
Week 3	\$5,322.17	\$8,708.91	38.89%	Week 3	\$19,885.51	\$27,914.29	28.76%
Week 4	\$4,760.43	\$7,990.53	40.42%	Week 4	\$16,710.37	\$27,399.27	39.01%
Week 5	\$4,603.10	\$8,322.60	44.69%	Week 5	\$15,108.33	\$26,942.12	43.92%
Week 6	\$5,513.33	\$7,284.61	24.32%	Week 6	\$17,146.01	\$26,367.89	34.97%
Week 7	\$8,830.39	\$8,388.14	-5.27%	Week 7	\$20,357.66	\$25,938.71	21.52%
Week 8	\$4,542.58	\$9,032.11	49.71%	Week 8	\$16,042.29	\$30,710.48	47.76%
Week 9	\$2,587.46	\$8,295.85	68.81%	Week 9	\$14,263.05	\$26,555.05	46.29%
Week 10	\$4,133.08	\$7,997.04	48.32%	Week 10	\$15,260.82	\$27,634.26	44.78%
Total	\$52,310.73	\$83,244.60	37.16%	Total	\$166,517.50	\$270,898.08	38.53%

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Utilizing your general ledger trial balance

At the end of the month (or quarter), the meat department manager should request from the accountant a detailed trial balance for all meat department sales and purchases. This document will list each transaction impacting your cost of goods and gross margin.

By reviewing this document against one's own recordkeeping, the meat department manager will be able to identify and correct any posting errors or mistakes, such as outstanding credits due from vendors or even invoices that belong to other departments. You will also be surprised how willing your accounting staff is to get their own numbers right.

Every meat department manager will find examples of how simple oversights can cost the department dearly. In one case, a manager received 27 pounds of halibut that was not fresh, costing \$8.49 a pound. The manager returned it on the spot and requested that a credit memo be issued. He boldly marked this on the invoice and deducted the purchase from his log when

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he went back into his department office. In the general ledger later that quarter, there was a \$229.23 dollar difference in what was being reported, leading to the discovery that the vendor did not issue the credit. This can and does happen. Reviewing the detailed trial balance for your purchase accounts will serve as a good internal control to make sure your department numbers are being reported accurately.

Using every tool possible to reach and maintain margin goals seems sensible and just plain good practice. Meat department managers have opportunities to run a department and provide the community with outstanding meats. Managers would do well to remember that you can create a highly attractive show of product, display and customer service, while in the background maintaining a system that ensures your efforts will be profitable.

A meat manager's job in scripting the department to make a profit involves keeping records, discovering costs, and monitoring purchasing on a continuing basis. This discipline guarantees that the meat manager performs better and becomes an irreplaceable asset to the co-op. ■