Fiscal Year 2018 Signals an Important Turnaround Year for Independent Grocers

FMS Solutions Study Finds Sales and Profit Growth along with a Rising Optimism about the Future Business Outlook.

FORT LAUDERDALE, Fla. (PRWEB) November 06, 2019 -- The 2019 edition of the annual Independent Grocers Financial Survey, a joint study between the National Grocers Association (NGA) and FMS Solutions, labels the fiscal year 2018 as an important turnaround year for independent grocers.

Economic activity continued to improve in 2018, and in turn, more confident consumers increased their grocery spending. Sales gains were further boosted by mild food inflation. While consumer indicators were positive, the competition was rampant and the regulatory and market conditions drove up labor and benefits costs. Independents grew sales by 1.7% amidst these tough conditions and continued to implement cost-control measures in other areas to keep expenses in check. Margin management was paramount, and independents managed to hold the line on the total store and most departmental margins. This resulted in an improvement in net profit before taxes to +0.63% of sales. “Independent grocers have faced some challenging factors these past couple of years, but the financial turnaround signals independents’ strength, resilience and business savvy,” says Greg Ferrara, President, and CEO of NGA. “Combined with in-depth knowledge of their local communities and shoppers, independent grocers are finding ways to carve out a strong niche in the marketplace.”

Labor Woes Intensify
The tighter labor market elevated independent grocers’ concerns and spending on staffing, hiring, retention, and benefits. Employee turnover at independent retailers increased to 18% among full-time employees and 47% among part-timers. This was further compounded by high concern over increases in the minimum wage at the state and federal level. This resulted in labor and benefits reaching a study high of 16.7% of total sales among independents. “Independent grocers’ best weapon in the race for the grocery dollar is people, great people,” says Bob Graybill, President, and CEO of FMS. “Independents are focused on rightsizing compensation and benefits and investing in employees to deliver a top-notch in-store experience.”

Omni-Channel Investment Rises
Independents recognize the need for keeping stores fresh and therefore increased capital expenditures to 1.9% of sales, with a continued focus on store remodels and openings. “An uptick in reinvesting gains into the stores is an important finding,” says Graybill. “Everything looks better when you modernize your stores, including your sales and profits.” Independents also increased investment in e-commerce, which was offered by 54% of independents in 2018, up from 32% the year prior. Additionally, more independents offered both pickup and delivery.

Profit Leaders Provide a Roadmap for Operational Focus
In 2018, independent grocers continued to focus on inventory management, with greater total store inventory turns (17.4x) and a reduction in total store shrink (3.0%) by implementing shrink management programs. The profit leaders among independent grocers, those in the 25th percentile, had a stellar performance in 2018 averaging 3.8% net profit before taxes. Common traits among profit leaders include a high focus on fresh, particularly meat and produce, along with strong margin, shrink and expense management.
FMS Solutions Holdings LLC (FMS) — Since 1974, FMS has helped independent retail grocers succeed by transforming historical accounting activities into timely, accurate decision support tools. The company’s keen understanding of the challenges the industry faces has positioned it as the National Grocers Association’s (NGA) preferred provider of industry benchmarking, best practices, and mission-critical decision support. FMS is headquartered in Florida with additional offices in Pennsylvania, New Jersey, Maryland, Tennessee, Nebraska, Oregon, and Ontario, Canada. FMS services organizations in more than 4,200 locations across North America and the Caribbean, enabling them to improve profitability through better decision support. To learn more about FMS, please call 877.435.9400 or visit http://www.fmssolutions.com.

National Grocers Association (NGA) is the national trade association representing the retail and wholesale grocers that comprise the independent sector of the food distribution industry. An independent retailer is a privately owned or controlled food retail company operating a variety of formats. The independent grocery sector is accountable for close to one percent of the nation's overall economy and is responsible for generating $131 billion in sales, 944,000 jobs, $30 billion in wages, and $27 billion in taxes. NGA members include retail and wholesale grocers, state grocers associations, as well as manufacturers and service suppliers. For more information about NGA, visit http://www.nationalgrocers.org
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