

FMS Solutions



Beyond the Bottom Line: Know the Numbers That Actually Run Your Store

PRESENTED BY:

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FMS Solutions

The Marketplace

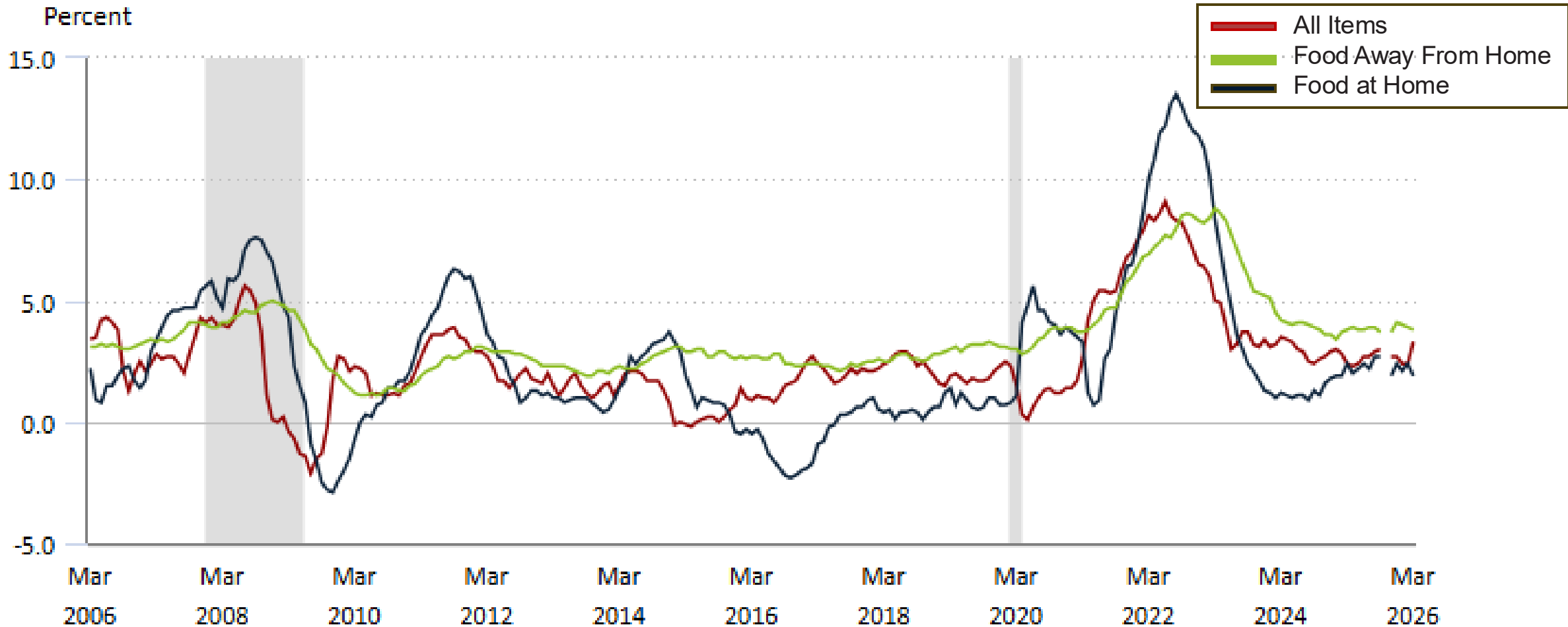
- Sales through March 2026 comps are challenging
- Margins under pressure
- Inflation below the line
 - Minimum wage increases
 - Health insurance costs soaring
 - Liability insurance claims and costs soaring
- Bright spot for retailers excelling in prepared foods



Economic Environment

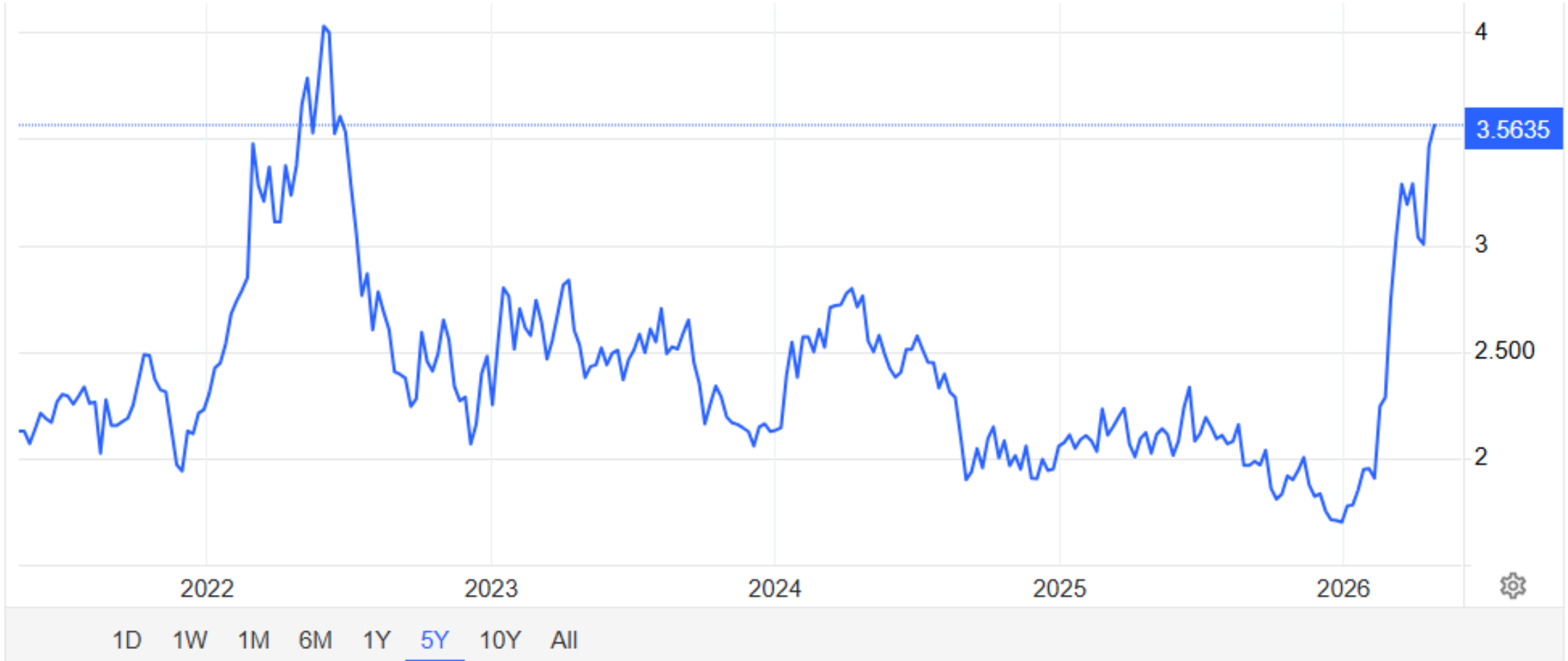


12-month percentage change, Consumer Price Index



*Not seasonally adjusted

Gas prices

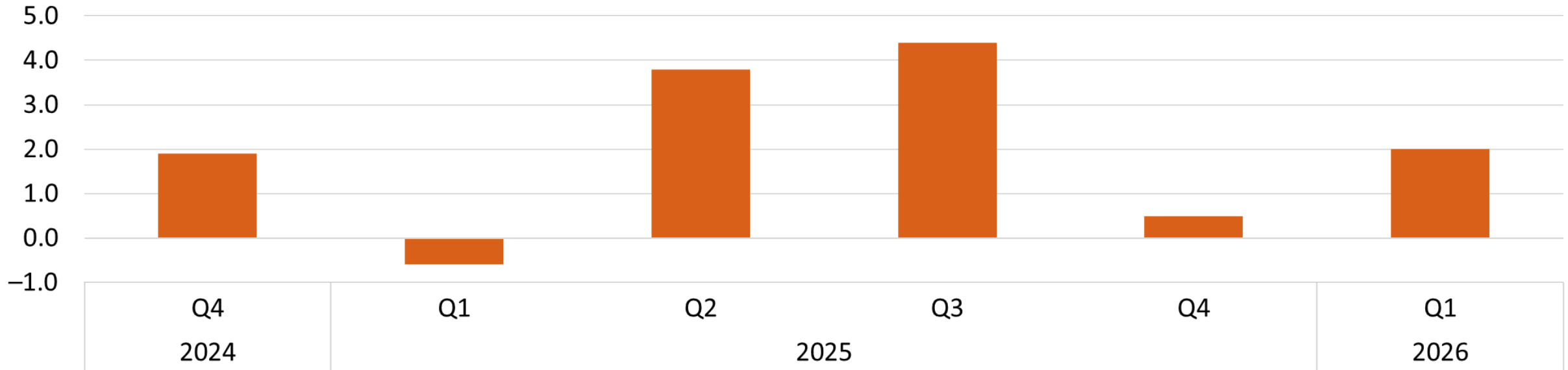


April 30, 2026 8:33 ET Price - \$3.5635

US Gross Domestic Product (GDP)

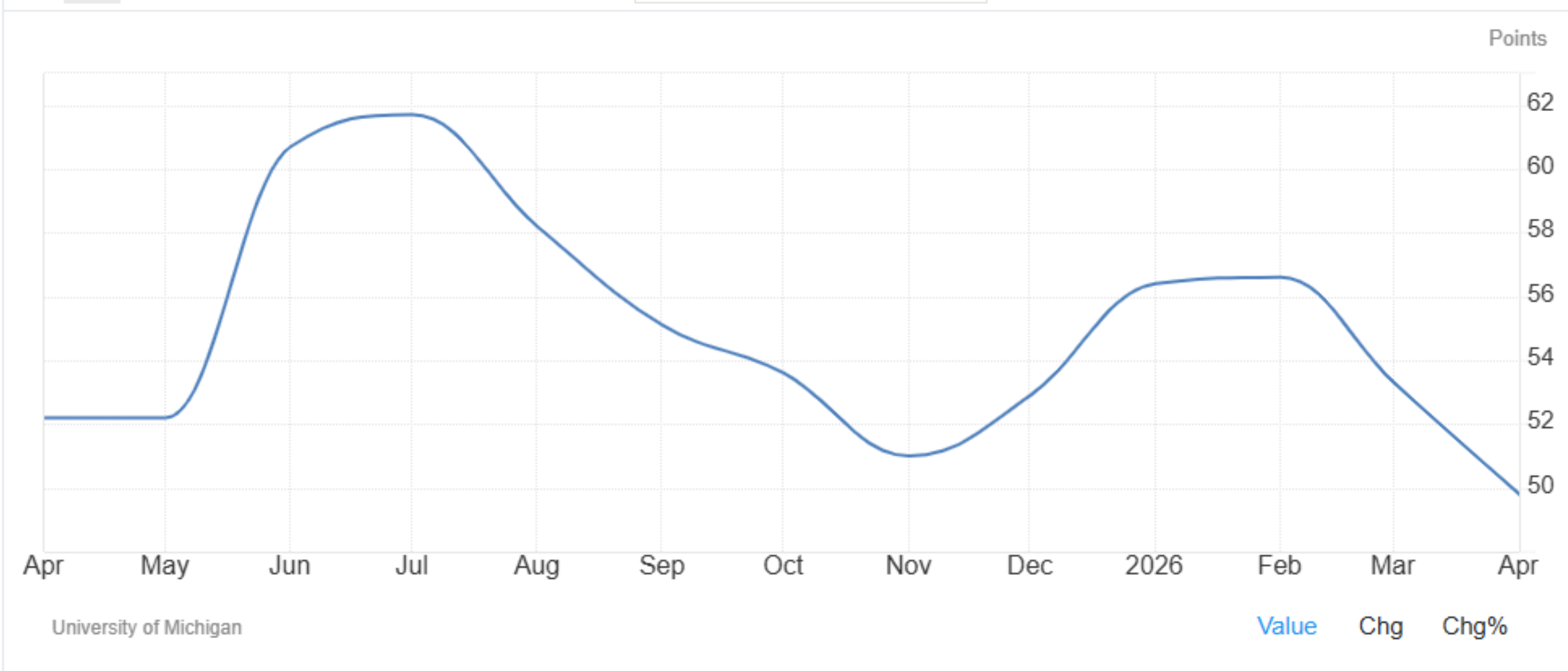
Real GDP, Percent Change From Preceding Quarter

Seasonally adjusted annual rates



GDP Gross domestic product
U.S. Bureau of Economic Analysis

Consumer Sentiment



Sales Allocation by Region

SALES DISTRIBUTION BY DEPARTMENT	NORTHEAST	MIDWEST	SOUTH	WEST
Total grocery	59.2%	59.2%	58.7%	55.2%
Grocery	40.1%	34.4%	42.9%	39.7%
Dairy	8.3%	9.1%	5.6%	3.7%
Frozen	4.9%	7.5%	3.7%	1.9%
HBC	0.9%	0.8%	0.6%	1.0%
GM	1.0%	2.0%	2.1%	1.4%
Beer/wine/liquor	2.7%	4.0%	2.8%	7.0%
Tobacco	1.3%	0.8%	1.0%	0.5%
Total produce	9.5%	9.4%	8.9%	12.1%
Produce	9.2%	8.9%	8.6%	11.6%
Floral	0.3%	0.5%	0.3%	0.5%
Total meat	27.9%	27.0%	29.9%	27.8%
Meat	14.9%	16.9%	22.3%	13.2%
Deli	8.8%	6.5%	4.8%	8.6%
Bakery	3.5%	3.1%	2.3%	5.4%
Seafood	0.7%	0.5%	0.5%	0.6%
Pharmacy	1.0%	2.9%	0.1%	1.0%
Other	2.5%	2.0%	2.6%	3.9%
Total	100.0%	100.0%	100.0%	100.03%



Expense Allocation by Region

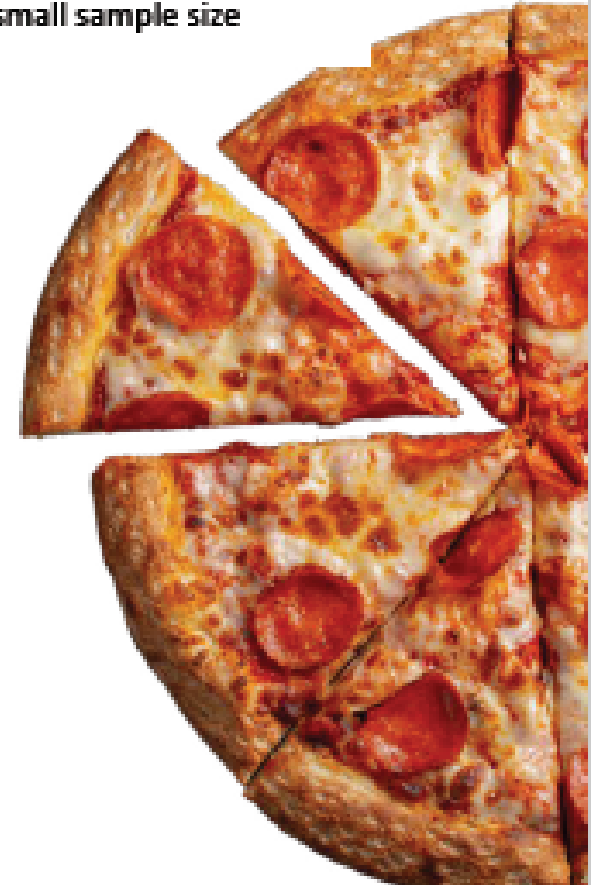


EXPENSES	NORTHEAST	MIDWEST	SOUTH	WEST
Labor & benefits	16.9%	16.3%	13.6%	19.6%
Rent/CAM	2.3%	1.6%	1.5%	2.6%
Utilities	1.8%	1.4%	1.7%	1.7%
Supplies	1.3%	1.0%	1.2%	1.1%
Advertising	1.5%	0.7%	0.6%	0.9%
Card fees	1.0%	1.1%	0.9%	1.0%
Repair & maintenance	1.2%	1.0%	1.1%	1.0%
Depreciation	1.3%	0.9%	1.2%	1.1%
Interest	0.2%	0.2%	0.3%	0.3%
All expenses	30.1%	26.1%	25.4%	31.4%

Gross Margin by Region

GROSS MARGIN BY DEPARTMENT	NORTHEAST	MIDWEST	SOUTH	WEST
Grocery	27.6%	24.7%	22.7%	30.7%
Dairy	26.4%	22.6%	22.0%	32.1%
Frozen	31.9%	37.2%	29.4%	36.8%
HBC	31.2%*	24.3%*	27.7%*	36.7%*
GM	33.7%*	32.5%*	33.7%*	37.7%*
Beer/wine/liquor	26.0%	19.9%	19.3%	29.0%
Tobacco	8.3%*	15.4%*	11.4%*	21.1%*
Produce	30.1%	31.3%	30.4%	37.2%
Floral	35.7%	36.7%	35.8%	30.4%
Meat	24.9%	27.8%	28.0%	28.0%
Deli	45.0%	40.6%	42.0%	39.8%
Bakery	47.7%	43.0%	46.4%	45.0%
Seafood	27.5%	27.8%	36.1%	30.2%
Pharmacy	14.4%	9.2%	12.8%	17.4%
Total store	28.5%	26.7%	25.7%	30.2%

* small sample size



Ratios by Region

27.4%

Average gross margin in 2024

Northeast	28.5%
Midwest	26.7%
South	25.7%
West	30.2%

+1.90%

Average net profit in 2024

Northeast	+0.45%
Midwest	+0.88%
South	+2.02%
West	+2.83%

+3.08%

EBITDA in 2024

Northeast	+0.63%
Midwest	+1.29%
South	+3.12%
West	+4.54%



Budgeting

For the past two decades, FMS and NGA have partnered to produce the US Independent Grocers Financial Study. Two primary characteristics of top quartile operators are:

- Financial Planning & Analysis**
- Shrink Management**

Why Budgets Matter More Than Ever

The Landscape



Sales are Down. Margins Are Tighter

Grocery margins have compressed steadily. There is less room to absorb mistakes or discover problems late.



Labor Costs Are Up

Elevated labor costs are not a temporary blip. They require planning assumptions that reflect today's reality.



Demand Is Unpredictable

Supply chain volatility and shifting consumer behavior make last year's numbers a less reliable guide. In an inflationary environment, flat sales necessitate expense discipline.



Independent grocers don't need budgets because conditions are bad. They need budgets because conditions are uncertain. A clear plan provides a place to steer from — even when the path ahead shifts.

Not a Prediction — A Navigation System

X What a Budget Is NOT

- A prediction or guarantee
- A once-a-year exercise
- A back-office document
- A scorecard reviewed after the game
- A tool for the owner alone

✓ What a Budget IS

- **Context:** Are we ahead or behind — and why?
- **Early warning:** Highlight margin drift and labor creep before they grow
- **Decision support:** Turn financials into action, not just history
- **Accountability:** Create shared ownership at every level of the store
- **Confidence:** Make decisions supported by data, not instinct alone

A Living Document — Not an Annual Exercise

Using Your Budget

The Typical Approach

- ✗ Budget built in October
- ✗ Filed away until next October
- ✗ Monthly numbers get a quick look
- ✗ Budget fades into the background
- ✗ By year-end, it's a scorecard with no game left to play

The High-Value Approach

- **Review weekly or monthly**
While the period is fresh — so you can still act on what you find.
- **Ask the right questions**
Where vs. plan? One-time or trend? Which departments are drifting and why?
- **Treat variance as normal**
No budget is perfect. The goal: understand why you missed and what to do next.
- **Update it during the year**
Business changes. Your budget should too. It's a financial map, not a contract.

A Plan That Reflects How Your Store Operates

Building Your Budget

1

Start With Sales

Plan by store and department. Account for holidays, calendar shifts, new competitors, and remodels. Flat or lower sales may be realistic — plan for it.

2

Separate Costs

Fixed vs. variable. Rent and contracted services don't move with sales. Supplies, advertising, and some labor do. Know the difference.

3

Use Gross Margin

Historical GM% is your guide. When pricing or merchandising changes, revisit assumptions. Watch for anomalies: shrink, one-time promos, center store issues.

4

Build for Accountability

Clear expectations + meaningful benchmarks = managers who understand how their decisions affect results. It doesn't need to be complex — it needs to be usable.

A budget does not need to be complex. It needs to be usable. Start with margin, labor, and shrink — that alone creates meaningful visibility.

How to Build It Into Your Budget — At Every Level

Accountability

Every line in your budget should have an owner — someone responsible for understanding it, monitoring it, and acting when it changes.



Clear Ownership

Department managers need to know which numbers are theirs. Labor, shrink, gross margin, and ordering decisions all have budget consequences.



Timely Visibility

A manager reviewing last month's shrink three weeks later cannot act. Weekly visibility means small variances are caught before they become patterns.



Numbers Tied to Outcomes

When managers understand that labor decisions affect full shelves, fresh product, and shorter lines — the budget becomes a commitment to customers.

Financial Statements



Balance Sheet

What is it?

- A snapshot of what the store owns (assets), what it owes (liabilities), and owner equity at a point in time
- Unlike the P&L, it does not show income or expenses — it shows financial position
- The equation is always: $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$

Key Components

- Assets — cash, inventory, equipment, and property the store controls
- Liabilities — accounts payable, loans, and other obligations owed to others
- Owner's Equity — what remains for the owner after all liabilities are subtracted from assets

Why it Matters

- Shows whether the store can meet its short-term obligations (liquidity)
- Tracks how much of the business is financed by debt versus owned outright
- Lenders review the balance sheet to evaluate creditworthiness and loan eligibility

Balance Sheet – Crucial Accounting Processes

What does it mean to you

Reconcile your cash often

- People will steal anything, but especially cash!
- If you are not reconciling, employees will catch on and theft WILL occur

Reconcile cash “equivalents” often

- Money orders, Western Union, Bill Pay, Lottery, Coins 2 Cash, ATM machines

Inventory cycles

- Perishable monthly
- Center store quarterly

Ensure your subledgers (AP, AR, etc.) tie to the ledger

Tie out LT debt to bank schedule

Use the key metric balance sheet ratios to monitor financial health



Balance Sheet	
	Amount
Assets	
Current assets	
Cash and cash equivalents	\$298,000
Accounts receivable	\$29,000
Inventory	\$15,000
Prepaid expenses	\$12,000
Total current assets	\$354,000
Liabilities	
Liabilities	
Accounts payable	\$354,000
Revenue	

P&L Statement

What is it?

- A summary of revenue, costs, and expenses over a specific period (month, quarter, or year)
- Shows whether the store made a profit or a loss during that time
- Also called the Income Statement or Statement of Operations

Key Components

- Net Sales — total revenue after returns, discounts, and vendor allowances
- Cost of Goods Sold (COGS) — the direct cost of the products sold
- Operating Expenses — labor, occupancy, utilities, and overhead costs
- Net Profit — what remains after all costs and expenses are subtracted from sales

Why it Matters

- The primary tool for measuring store performance and profitability
- Identifies which expense categories are out of line with industry benchmarks
- Reviewed monthly to catch trends early and make timely operational adjustments

P&L Statement KPIs

Revenue & Margin

- **Gross Margin** — measures how much of each sales dollar remains after paying for product
- **Net Sales** — total revenue after returns, discounts, and allowances
- **EBITDA** — earnings before interest, taxes, depreciation, and amortization

Expense KPIs

- **Labor Cost %** — largest controllable expense; includes wages and benefits
- **Occupancy %** — rent, utilities, and property costs as a share of sales
- **Operating Expense Ratio** — total overhead as a percentage of net sales

Bottom Line

- **Net Profit %** — what the store actually keeps after all expenses
 - **Shrink %** — lost margin from theft, spoilage, and damage
 - **All KPIs tie together** — improving one (e.g. shrink) directly improves gross margin and net profit
-

Cash Flow Statement

What is it?

- Tracks the actual movement of cash into and out of the business
- Unlike the P&L, it shows whether the store has real cash available
- A store can show a profit on paper but still run out of cash

Key Components

- Operating Activities — cash generated from day-to-day store operations
- Investing Activities — cash used for equipment, remodels, and capital purchases
- Financing Activities — cash from loans, debt repayments, and owner draws

Why it Matters

- Identifies whether the store is generating or consuming cash
- Helps plan for seasonal cash shortfalls before they become a crisis
- Lenders and investors use it to assess the store's ability to repay debt

Cash Flow KPIs

Liquidity

- **Days Cash on Hand** — how many days the store can operate without new sales revenue
- **Cash Conversion Cycle** — how quickly inventory turns into cash (days)
- **Free Cash Flow** — cash remaining after capital expenditures

Debt & Investment

- **Debt Service Coverage Ratio** — ability to cover loan payments from operating cash flow
- **CapEx / Sales** — investment in the store's physical assets as a share of revenue
- **Operating Cash Flow %** — core cash generation relative to total sales

Why These KPIs Matter

- Cash flow KPIs reveal stress before it shows up on the P&L
- Low days cash on hand is an early warning sign of financial trouble
- Strong cash flow allows investment in growth, remodels, and staff retention



Supermarket Math



Scan for the full Supermarket Math Reference Sheet & webinar recordings

KPIs



Why KPIs Matter

KPIs allow you to:

- Measure actual results vs. plan
- Enact course correction if necessary
- Communicate to your teams what “good looks like” or perhaps equally as importantly what “good doesn’t look like”



KPI: Sales



Sales per selling square feet

Benchmark: \$12.56 per ft

Sales per Transaction

Sales / Customer Transactions

Benchmark: \$33 per transaction

Raising the \$ per transaction is very profitable incrementally. Push impulse sales.

Source: 2025 FMS Independent Grocers Financial Survey

KPI: Gross Margin

GIG – Going In Gross

Projected gross margin yield for the period

Formula:

$$\text{GIG \%} = (\text{Anticipated Sales} - \text{Expected COGS}) / \text{Anticipated Sales}$$

GOG – Going Out Gross

Actual margin earned after COGS & shrink

Formula:

$$\text{GOG} = (\text{Actual Sales} - \text{Purchases} \pm \text{Inventory Change}) / \text{Actual Sales}$$



KPI: Contribution to Overhead (CTO) Components by Dept.

Each department should be viewed as a business.

Goal: All major sales departments must contribute positively.

Formula:

Sales

Cost of Goods

- Purchases / Product Transfers
- Shrink
- Allowances & Rebates

= Gross Margin

Departmental Costs

- Supplies
 - Labor
-

Labor – The Largest “*Below the Line*” Variable Expense

Three Categories:

Productive: Regular, OT, shift premiums

Non-Productive: Vacation, sick, jury duty

Taxes & Benefits: FICA, health insurance, workers' comp



Labor KPIs

KPI	Definition / Formula	Benchmark	Review Frequency
Labor Cost %	Total Labor (wages + benefits) ÷ Net Sales One of your largest controllable costs.	12–18%	Weekly
Overtime %	Overtime Pay ÷ Total Labor Chronic OT signals understaffing or poor scheduling.	< 2%	Weekly
Sales per Labor Hour	Net Sales ÷ Total Hours Worked Compare by dept. and by shift.	\$90–\$140+/hr	Weekly
Schedule Efficiency	Actual Hours Worked ÷ Scheduled Hours Tracks callouts and unplanned coverage.	Close to 1.0	Weekly
Turnover Rate	# of Separations ÷ Avg. Headcount. High turnover = high recruiting & training costs.	< 40–50% (grocery avg is high)	Annual

Shrink Management

For the past two decades, FMS and NGA have partnered to produce the US Independent Grocers Financial Study. Two primary characteristics of top quartile operators are:

- Financial Planning & Analysis
- Shrink Management

Shrink

3.5%

Total store shrink percentage

Highest for:

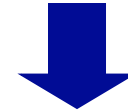
- Floral
- Bakery
- Produce
- Deli




Lowest shrink levels in dry grocery



Shrink vs. Prior Year



	2024	19.5%	63.4%	17.1%
	2023	24.1%	63.9%	12.0%
	2022	40.7%	42.4%	16.9%
	2021	25.7%	60.0%	14.3%
	2020	9.7%	43.9%	46.4%
	2019	25.9%	55.6%	18.5%

The FMS Advantage

Speed to Value with Experience –
Manage process & impact results



Happy Employees – complete integration
with Payroll & General Ledger

Speed to Value –open
Interface with store systems




Profit Hound™



Products to Market – margin
enhancement – culture change

We've Got Your Back – Frac CFO –
Tax – Budgeting – FP&A



Peace of Mind –
compliance – insights

COMING SOON

2026 FMS/NGA US Independent Grocers Financial Study

Coming soon!

Stay tuned for more details.



FMS Communications & Resources

The Pulse

Financial Study

Events

Resource Library



Part 4 of a 4-Part Series on Budgeting for Control

How to Build Accountability Into Your Budget — At Every Level of Your Store



A budget only drives results when the right people own the right numbers. For independent grocers, this means aligning budget expectations with the people making daily decisions — from the owner to the department manager to the floor. Without that connection, a budget stays in the back office. With it, the budget becomes a shared tool that drives action across the entire store.

Start With Clear Ownership

Every line in your budget should have an owner—someone responsible for understanding it, monitoring it, and acting when it changes. In a grocery operation, that means department managers need to know which numbers are theirs. Labor, shrink, gross margin, and ordering decisions all have budget consequences. When managers understand what they are responsible for and why it matters, they make better daily decisions.

New to This Series? Start Here.

If you missed Parts 1, 2, or 3 of this series, links to each are below.

Part 1: Why Budgets Matter More Than Ever for Independent Grocers

Part 2: Building a Budget That Reflects How Your Store Actually Operates

Part 3: Using Your Budget



FMS Insights you can count on™

nga NATIONAL GROCERS ASSOCIATION

Coming Soon!

2026
Independent Grocers
Financial Study



FMS PROFIT SUMMIT
TAPATIO SPRINGS
SAN ANTONIO, TX

SAVE THE DATE
2nd Annual FMS Profit Summit - October 6-8, 2026
Tapatio Springs, Texas Hill Country ★ San Antonio, TX



GROCERY
Resource Library

Practical insight for independent grocers — on budgeting, shrink, labor, inflation, and more.

FMSProfitSummit.com



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2025 Independent Grocers Financial Study.
Email Randy Klotz at Randy.Klotz@fmssolutions.com

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Insights you can count on

Thank you for your time today.

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