

Migizy Odenaw Inc.
Eagle Village, Kipawa, Québec

Recommendations related to
the gas bar / convenience store / restaurant
operations

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TABLE OF CONTENTS

1. INTRODUCTION AND MANDATE DEFINITION	p. 3
2. RECOMMENDATIONS	p. 4
Management Information System	p. 4
Human Resources Management	p. 4
Suppliers	p. 5
Financials	p. 5
Displays	p. 6
Products / services	p. 6
Costing / pricing	p. 7
Customer services / marketing	p. 8
3. FOLLOWING STEPS	p. 9
ANNEX 1	p. 10

1. INTRODUCTION AND MANDATE DEFINITION

Migizy Odenaw Inc. is an incorporated entity owned by the Eagle Village First Nation and is located in Kipawa, Québec. Since 2005, the corporation operates a regrouped gas bar / convenience store / restaurant facilities. The equivalent of 5 full time employees is presently working for Migizy Odenaw and the annual revenues are in the order of 2 million dollars.

The consultant's mandate consisted in making «a full operational review of management and services, particularly in the area of the restaurant and the depanneur, i.e. A snapshot of the whole operation, strengths, weaknesses, and improvement needed. »

The consultants had also to provide advice to the new manager on «how to make the business as a whole more successful and threefold more profitable, keeping in mind that one of the priorities of the Band Council is to provide job opportunities for their members. The mandate included a review of:

- Management Information System
- Products / the food / the suppliers
- Costing
- Displays
- Service to clientele
- Financials
- Marketing
- Human resources management / work schedules / responsibilities

Also included in the mandate was a reporting component:

- Reporting to Band Council, including financial reporting
- Reporting to the Government on a consistent basis in order to access tax refunds as quick as possible. »

The two CESO's Voluntary Advisors retains for this mandate are Mr. Yves Beauregard who has an extensive experience in managing convenience store / gas bar for Ultramar and Mr. Claude Charette, mba, who has previously complete a management mandate with the Eagle Village Health Centre and has a long experience in operation management with large corporations.

Last January 20 and 21, Yves and Claude have spent two days with Debbie Mines, Manager, Migizy Odenaw Inc. and some time with Dave McLaren, Councillor who was available from Eagle village, reviewing the whole operation of the gas bar /convenient store / restaurant. Following the analysis of the information received and after contacting with different suppliers, the following recommendations have been written and are proposed to the B.O.D. and Debbie the appointed Gas bar manager.

2. RECOMMENDATIONS

MANAGEMENT INFORMATION SYSTEM

- It seems that the existing Store Management Suite (SMS) information system is very powerful but not well understood and used by the management. It offers a potential to produce many different reports that could assist in a better management of the store. We strongly recommend that the manager and a back-up person receive, as soon as possible, a proper training on the system. This training could be given by a firm named AM/PM Services located in Montréal at phone no. (514) 739-3215 or web address: montreal.mail@ampmservice.com . Training could be given on site in Kipawa, at their office or through internet. The AM/PM Services representative is Alain Thériault.
- A permanent product inventory through the SMS system should be kept separately for the grocery, the restaurant and the gas station. It will require that a maximum and a minimum quantity of each item held be defined and input into the SMS system. Then, each time a product is received, the product and the quantity will be registered in the system. Doing so will allow an instant calculation of the number of each item remaining in stock and enable an easy identification of low-turnover products.
- Preparing orders will be done automatically and instantly by the SMS system. This operation is presently time consuming for the manager who is doing it manually.
- For better control, a report of sales revenue per shift should be printed by the on-duty cashier and given to the manager.
- A report on revenue and expenses by department should be produced every month and analysed by the manager and her boss.
- Many other reports can be delivered by the SMS system according to the management information needs. This information will enable a better control and follow-up of the store's operations.

HUMAN RESOURCES MANAGEMENT

- Important measures have been implemented over the past months to reduce labour costs (app. \$100 000). The potential further reductions seem very small. The only potential that we have identified is related to the opening hours. An analysis of daily after-hours revenues during the week of January 14, 2011, shows a very low level of sales each day between 6:00 and 7:00 am (average sales = \$ 57). Would it be appropriate to open at 7:00 am in the morning instead of 6:00 am? (See annex no. 1)
- The labour time free-up related to the conversion of the gas service to a self-serve operation *could be fully or partially cut / reassigned to other duties.*

- In order to recognize additional experience acquired by the employee and related contribution to the operation, a salary increase should be given after 6 months of service and, thereafter, once a year at service anniversary. The annual salary increase should be based on two factors: cost of living and individual performance.
- A short but formal dialogue on individual performance should be initiated by the manager at least once a year and documented.

SUPPLIERS

- Investigate suppliers who supply products on «consignment» and take them back if they are not sold after a given period of time. This kind of service could be interesting for all non-food products, including seasonal products, and will allow for reduction in inventory.
- Investigate and justify economically the appropriateness of buying products in North Bay compared to buying products from suppliers such as Ben Deshaies. For this purpose, all elements should be taken into consideration: price of the goods, transportation costs, time required, and cost of the employee.
- Investigate on a regular basis if other suppliers can offer lower prices.

FINANCIALS

- All orders received should be checked to assure that proper quantities have been delivered and billed.
- For better control and security purposes, cameras should be repositioned in order to cover the store completely.
- Cash register drawer should always be closed between each sale. If broken, it should be repaired promptly.
- After reviewing the gas sale operation, we think it can be converted to a self-serve one. This could represent a significant cost reduction without seriously affecting customer services.
- Physical inventory should continue to take place at the end of the fiscal year. In the future, with all products registered in the SMS system, inventory spot checks could be done more frequently (ex. 2 or 3 products every week)
- Crevier's billing practices should be reviewed in order to improve the cash flow.
- The Manager's salary should be charged to the store.

DISPLAYS

- Confectionary products (candies, chewing gum, chocolate, etc.) should be positioned so that they can be easily seen by the customer, below the counter, close to the cash register. These types of products are usually purchased `` on the spot`` (impulse buying), and should be located where the customer stands.
- Complementary products, for example, potato chips, beverages, or pasta and sauce, should be regrouped.
- All restaurant products such as coffee, pizza, soup, slush, etc. should be regrouped in the same area.
- Space in the back of the store (close to the Manager's office) should be reserved for large items in order to prevent the theft of small articles.

PRODUCTS / SERVICES

- The store should sell **beer and some wine**. This service is already offered by a competitor in the community, and we think it should also be offered by Migizy Odenaw to better serve its customers. In addition to the direct revenue provided by the sale of these products, it has been observed that customers who come to buy beer or wine very often buy one or more other items. Today, convenience stores always sell at least bread, milk, snacks, juices and...beer.
- The restaurant menu offers the right variety to its clientele, and we do not see the need for major changes in this area. The demand for healthy food is increasing and this type of cuisine should be properly advertized and tested.
- We have been informed that a cash/banking machine will be installed in the near future and we totally support this initiative.
- It seems that the turnover for many products is very low. The information system does not presently provide proper information on the turnover rate per product. A good follow up, that we can get from the existing SMS system, should help to identify these low turnover products. Two or three months after the introduction of proper data in the system will be required to identify these products, based on precise numbers.
- The low turnover products could be used as store promotional items (drawings) or sold to a liquidation company in order to make shelf space available for more profitable products. There is no doubt that the liquidation of the low turnover products will represent a lost. Immediate attention should be given to products such as: tee shirts, sweat shirts, 5-gallon oil containers, knives, etc. The store manager can already identify many of these products.

- We do not recommend investing money on freezers or frozen food because of the related operation costs without knowing the potential associated revenues. We observe that most of the convenient stores do not carry frozen foods other than ice cream.
- We do not recommend providing video rental services. More and more individuals prefer using internet and TV cable/dishes which are easily accessible and offer up-to-date products.

COSTING / PRICING

- A pricing policy should be written to provide guidelines to employees for all categories of products, including restaurant items.
- For grocery products, the policy should say that the supplier suggested retail price should be used and respected.
- Restaurant price list should be compared to other local restaurants twice a year and adjusted accordingly.
- Price of items in the grocery store should be stuck to the shelf instead of on each product. This will eliminate the need and the time required to apply a sticker on each individual product to respect the law. It also makes it easier when prices have to be changed. We observed that, presently, 30 to 40% of the products are not priced which is certainly not appreciated by the customers.

NB. For cost recommendations, refer to other sections of this report.

CUSTOMER SERVICES / MARKETING

We understand that the potential market is limited to about 350 people living within the community and 150 band members living outside of the community. This is the base clientele all year round. Products and services that should be supplied must primarily satisfy these customers. Between the months of May and September, there are a significant number of tourists in the area (cottage owners, fishermen, hunters) to whom the store provides services and products. To attract this potential clientele, the store should have a promotional and advertising plan which includes the followings:

- A monthly flyer should be distributed to each house, including cottages. The flyer will advertize the store and must show promotions (products or activities). Emphasis could also be put on the availability of seasonal products.
- Signs showing the direction to the store should be installed at strategic points (ex.: corner of the Kipawa street and route 101, snowmobile trail). These signs could possibly be sponsored by suppliers such as Crevier or others.

- Specific products such as propane, ice, worms and wood, should be specifically advertized in front of the store.
- Signs should be bilingual.
- We encourage reinforcing the use of the “frequent customer card” by better advertizing it.
- The restaurant take-out menu / price list could be distributed to the community and cottages once or twice a year.
- Consider the possibility of a home delivery service (price minimum and distance maximum).
- A clear sight of the store and the gas station from the main road should be kept all the time. During winter months, snow should be piled elsewhere.
- Coat hangers should be installed for restaurant customers.

Several suppliers (as Pétrole Crevier, PromotionsCD, the supplier of the management information software AMPM) have already been contacted to discuss the services provide to Migizy Odenaw Inc. Many other suppliers like Fryto Lay Canada, Aliments Old Dutch, Corporation Tandrum, Casa Cubana, Yum Yum, Krispy Kernels, Mondou, etc. could be contacted and invited to visit us and present services that they can provide (displays, goods returns conditions, discount...)

3. FOLLOWING STEPS

- a) The B.O.D. and Debbie will acknowledge the recommendations by reading the actual report;
- b) A conference call will take place between the B.O.D., Debbie, Yves and Claude to review and discuss the recommendations,
- c) The following steps in term of the participation of advisors in the implementation of the recommendations (examples: Review the store layout, displays, negotiation with suppliers, etc.) will be defined and decided by the B.O.D. and Debbie. Yves and Claude are ready to make themselves available to assist to the implementation stage.

ANNEX 1: Total sales per hour per day from January 14 to January 20th. 2011

	Jan. 14 th	Jan. 15 th.	Jan. 16 th.	Jan. 17 th.	Jan. 18 th.	Jan. 19 th.	Jan. 20 th.	total /week at that hour	average/day for that hour
Time	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday		
6.00 to 6.59	105 \$	closed	closed	40 \$	70 \$	40 \$	32 \$	287	57 \$
7.00 to 7.59	260 \$	closed	closed	154 \$	60 \$	60 \$	229 \$	763	153 \$
8.00 to 8.59	280 \$	283 \$	80 \$	125 \$	129 \$	100 \$	116 \$	1113	159 \$
9.00 to 9.59	198 \$	227 \$	58 \$	213 \$	363 \$	190 \$	277 \$	1526	218 \$
10.00 to 10.59	275 \$	256 \$	264 \$	71 \$	77 \$	370 \$	260 \$	1573	225 \$
11.00 to 11.59	115 \$	419 \$	456 \$	218 \$	605 \$	185 \$	310 \$	2308	330 \$
12.00 to 12.59	530 \$	509 \$	939 \$	407 \$	318 \$	145 \$	557 \$	3405	486 \$
13.00 to 13.59	785 \$	530 \$	526 \$	196 \$	480 \$	240 \$	322 \$	3079	440 \$
14.00 to 14.59	633 \$	734 \$	255 \$	498 \$	225 \$	265 \$	115 \$	2725	389 \$
15.00 to 15.59	280 \$	523 \$	360 \$	315 \$	228 \$	96 \$	647 \$	2449	350 \$
16.00 to 16.59	537 \$	604 \$	415 \$	585 \$	388 \$	432 \$	666 \$	3627	518 \$
17.00 to 17.59	353 \$	343 \$	310 \$	210 \$	518 \$	177 \$	404 \$	2315	331 \$
18.00 to 18.59	358 \$	208 \$	580 \$	331 \$	175 \$	385 \$	382 \$	2419	346 \$
19.00 to 19.59	239 \$	387 \$	372 \$	263 \$	166 \$	184 \$	355 \$	1966	281 \$
20.00 to 20.59	168 \$	213 \$	457 \$	127 \$	281 \$	150 \$	213 \$	1609	230 \$
21.00 to 21.59	192 \$	116 \$	213 \$	267 \$	400 \$	120 \$	175 \$	1483	212 \$
22.00 to 22.59	255 \$	106 \$	86 \$	123 \$	95 \$	77 \$	317 \$	1059	151 \$
Total / Day	5 563 \$	5 458 \$	5 371 \$	4 143 \$	4 578 \$	3 216 \$	5 377 \$	33706	

* Figures are approximate sales closed to the realty