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Getting Control of Your Pricing

On-farm Marketing Controls – part three

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On-Farm Marketing Controls

3 – Theft and Handling Cash

It is hard to know where to divide both this section and the final section on “Inventory, Margins and Expenses”, they are both so inter-related. This is an issue that many farm marketers find difficult to talk about, but about 8 years ago, the Ontario Farm Fresh Marketing Association organized a workshop on Security. It was the best-attended workshop they have ever had, before or since.

Theft

I am no longer amazed by the stories of theft at on-farm markets and Pick-Your-Own (PYO) operations, both by customers and employees. But the common thread that runs through these stories is, the farm marketers are usually shocked when it happens to them. Many of their customers are repeat, which makes them almost like friends and their staff are almost like family. So to be betrayed by friends and family is almost like your house being broken into. You feel personally violated. You may think that Ontario, being more populated, with bigger cities, will have this problem, but not Alberta, not you. But that is just the complacency that will make you an easy mark. I’m not saying you have a problem, but I can say, that many farm marketers do and unless you develop controls, you could be next.

Whether we like to think about it or not, there is a segment of society that will take advantage of businesses, if that business does not have controls to prevent it. I think PYO operations are particularly susceptible, particularly those that have hired employees and handle cash using a cash box or apron. Those PYO operations would not know if an employee took 5% of the cash receipts that day, because they have no idea what the cash receipts should be for that day. I remember the PYO operation I visited who felt concerned about employee theft and decided to install cash registers interconnected to scales. The day the registers were to begin, 2 of his long-time employees quit.

You may think that this section doesn't apply to you because only family handles the money, but the day your children go off to college, or someone gets sick and you have to hire your 1st employee, this problem will start to apply to you as well. If you haven't prepared for it, you will be as vulnerable to theft as any other farm marketer.

About 10 years ago we carried out a survey of both PYO operations and roadside marketers in Ontario, to see how much of a problem theft was. We received responses from 94 roadside markets and 192 PYO operations.

Within the group of roadside markets, 17% had caught an employee stealing. Within the group of PYO operations, 8% had caught employees stealing. With the roadside marketers, the average employee had been caught taking \$70. With the PYO operations, the average employee theft was \$76. But were they caught during their one and only attempt at theft. I doubt it.

I recall the PYO operator that had an employee come to him and confess that she had stolen money and wanted to pay it back. He asked how much that might be and she said \$1500. He was shocked. I recall the roadside marketer who operated a small on-farm market. She felt that receipts didn't seem to correspond to the volume of produce they had been bringing in from the farm. A policeman friend put her into contact with someone who installed a video camera that recorded the day's events around the cash register. She had a small market, only one employee, but the video showed her putting cash into her own purse from the register several times throughout the day.

Then there was the farm that went to several farmers' markets. They had one, long-time employee who covered one of the markets for them. The farmer kept noticing that their cash receipts for that particular market kept getting smaller and smaller. They started writing down the inventory that she took to market and compared it to the cash sales that were returned. After several weeks he confronted her with the evidence and she reportedly had taken \$56,000 over a couple of years.

After the Ontario survey results were published, and farm marketers were more aware of this potential problem, it would have been valuable to do that same survey again, to see whether the percentages would have changed. Because I believe that the problem is bigger than our Ontario survey revealed. It is just that many farm marketers were not even looking to see if they had a problem.

This same survey also asked farm marketers if they had caught customers stealing. 17% of the roadside markets had caught customers stealing and 40% of PYO operations had caught customers stealing. Among the roadside markets, the average value of the goods stolen was \$23. The average value for the produce stolen at PYO operations was \$29.

The important point to note is that employees were caught stealing almost 2 - 3 times the amount that customers were taking. And keep in mind, a problem employee is likely working there 5-days a week, which means they have a greater opportunity to steal than the problem customer that may come once a week. So controls around employees can be more critical than controls implemented for customers.

Controls With PYO

With PYO, since there is no realistic way to take an inventory of what is in the field, you have to control the way customers exit the fields and how employees handle cash.

For the PYO customer, it is important that there only be one entrance and exit from the field and that all customers pass through the checkout before they can get to their car. It is all too tempting for a customer to drop part of their harvest off at their car, when they are picking up their purse, if they have access to it before checking out. Likewise, having people access the field in their own car, then driving to the checkout can allow people to hide produce in their trunk, under car seats etc. before arriving at the checkout. There are operators that require the customer to open their trunk at the checkout, but there are always those people who say they forgot their trunk key or don't have access to their trunk for some reason. Also they can hide produce, particularly high value produce like raspberries, under spare tires etc. The easiest solution, rather than having to confront customers and get into an argument, is to avoid the problem by separating customers from their cars until after they have paid.

For PYO checkout staff, who are not family, it is important that you have centralized checkouts. Do not use aprons as a means of handling cash transactions. The ideal is to have electronic scales that are tied into a cash register, so that all transactions are automatically inputted into the cash register, giving you a list of all transactions which you can then balance to the cash in the register. If you are not in a convenient location for electricity, consider solar collectors or portable generators to give the scales and registers power.

If you don't want to go to the expense of buying integrated scales and cash registers, you can use a less sophisticated cash register, but require every customer to use your containers (you can sell them to the customer). Then, if you take an count of the containers you have at the beginning of the day, and another count of the containers at the end of each day, you can at least balance the number of containers missing with the count (number of transactions) on the bottom of your cash register tape summary, that you can run at the end of the day. If it says you had 100 transactions you should be able to verify that you have 100 less containers in your inventory.

Controls at Roadside Markets

For roadside market customers, the approach is quite similar. Have only one entrance and exit. Therefore all customers have to pass by the checkout when exiting the market and hopefully the person at the checkout will recognize whether that person has gone through the checkout or not. For customers who conceal items in their clothing, it is more difficult. You can buy equipment to label everything with magnetic price tags, but that is expensive. You can install mirrors to allow you to see hidden areas of the market. Or you can design your displays, so that high value items are displayed near the checkout where it is easier to monitor them.

To verify that you do have a theft problem, you have to track your inventory. That means, know what you bought, what you sold and if there is a difference, see if there is a logical explanation. If you have unexplained shortages, you have to start looking at possible explanations for those shortages. Is it staff, or customers, or breakage, or spoilage or something else?

When it comes to putting in controls to reduce staff theft, there are several things to initiate:

- (1) Give each staff member a separate cash drawer with a designated amount of cash in the drawer that you know, but not the employee, (float). Then, at the end of that employee's shift, you count the cash, subtract the float and the difference should be what your cash register summary indicates as your gross sales for that day. If you only have one register, and more than one employee using it at the same time, this won't work. Consider designating one

employee for a specified time period to handle all cash transactions. Then you could do spot checks, if you feel you have a problem. Just tell the staff you need to balance the register because you are preparing to make a bank deposit.

- (2) It is also better that the employee not balance their own cash drawer at the end of the day. If they are not keying in all sales, they can easily take whatever the cash drawer has, in excess of the gross sales total printed on the bottom of the register tape.
- (3) You should also consider having a policy for the use of the “No Sale” key on the register. If there is no policy, a staff member could use it to open the till, make change, but not record the sale. Some roadside markets require that the owner be called for the “No Sale” key to be used.
- (4) You should also have a policy that the cash drawer is never left open. Firstly, employees can make change without keying in the transaction, but also an unattended cash register with the till drawer left open is pretty inviting to a dishonest customer.
- (5) Likewise markets should have a return policy. If a customer comes back with a damaged squash, do you give them their money back? If so, what tracking system do you have to know if in fact there was a squash returned?
- (6) Do you have a policy for employees buying things at your operation? Can they ring in their own purchases? Are they required to tape the cash register receipt onto the outside of the bag so you can see it has been paid for?
- (7) Do you have a policy on employees buying damaged or reduced items? If staff can take those at no cost or at a reduced cost, are you sure the items in the bag are damaged or from the reduced display?
- (8) It is good policy to occasionally monitor staff who are checking out their friends or family members. There is a situation called “Sweet-hearting”, where an employee rings in \$1.95 for an item being paid for by a friend or family member rather than the item’s true retail value of \$11.95. It would appear to the casual observer that each item is being entered, but it is not entered at their true value.

I list each of those items because there are marketers who have experienced each of these problems.

Conclusion

A police officer, talking to a group of farm marketers quoted the following statistics:

- 50% of employees will steal, when a business has no controls.
- 25% of employees will try to steal from a business, even if it has controls.

I would like to think that those figures are much higher than what we experience in rural Canada at farm markets, PYO operations and farmers’ markets, but employee theft is a serious potential problem that you must be aware of and try to prevent.