Known and Unknown Loss

In the retail environment, there are many causes of loss. Some types loss will be treated as **known loss** where a loss occurs that can clearly have its reason captured – eg: where product is goes out of date and is removed from store. Other types of loss will be treated as **unknown loss** where it is not possible for a retailer to attribute a definitive reason to the loss eg: expected stock is found to be missing during stock take.

Some retailers may treat the various loss types differently to others. This will depend on their internal processes and capabilities to differentiate loss types, and potentially their corporate administration requirements. Therefore it is important that suppliers/vendors to the retailers understand what a particular retailer treats as Known or Unknown Loss prior to engaging in discussion regarding shrinkage rates and improvement opportunities to ensure they are 'on the same page' as the retailer in question.

To assist their business partners, retailers have provided the following information outlining how they treat each loss type. It will still be important to check understanding when discussing with retailers as there may be specific points of variance from what is summarised below under particular circumstances.

Loss Types	Description	Target	Kmart	Big W	Foodstuffs	Progressive	Coles	Woolworths	Metcash
Carton cut or damaged during in-store process	Product is damaged in storeroom or prior to being placed on shelf under control of store staff / contractors	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	UNKNOWN
Damages in Delivery / Short Delivery	Product is receipted and later found to have been delivered to a store in damaged/unsaleable state or not delivered in full (with no recourse)	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN
Empty Packets found in store / Known Theft	Empty packaging is found in store. Assumption is that contents have been stolen	KNOWN	KNOWN	UNKNOWN	KNOWN	UNKNOWN	KNOWN	KNOWN	UNKNOWN
Event Write Offs(Burglary / Fire / Flood)	A known amount of product has been written off following a defined event (eg flood)	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	UNKNOWN
Expired / out of code stock / perishables dumped	Product is no longer able to be sold as has passed expiry date (grocery) or lost required freshness (fresh food/flowers etc)	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	UNKNOWN
Head Office instructed write-offs	Store is instructed by business management to write off / destroy certain goods for whatever reason (legal, social, health, safety etc concerns)	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN
Head Office Samples	Store is required to send saleable stock to business management for testing, QA etc	KNOWN	KNOWN	KNOWN	N/A	KNOWN	N/A	KNOWN	UNKNOWN
Remanufacturing (salvage value gaps)	Product has become partially unsaleable (damages etc). The gap between the value of what can be salvaged and sold versus original total sale value is captured	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	UNKNOWN
Returns from customer - rendered unsaleable	Customer has returned goods to store for refund which are now unsaleable due to opening, faults or hygiene / safety issues (eg clothing, perishables)	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	UNKNOWN
Soiled / Damaged by shoppers	Product has been soiled or damaged in store by shoppers after having been placed on shelf / display	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	KNOWN	UNKNOWN
Store Stock Count Adjustment	A count of product inventory on hand in store versus system stated inventory finds negative mismatch - i.e. product that is noted in system as available is missing. No reason is known for the missing stock. May be theft, data error, scan error or other reasons.	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN
Warehouse Stocktake inventory adjustments	A count of product inventory on hand in warehouse versus system stated inventory finds negative mismatch - i.e. product that is noted in system as available is missing. No reason is known for the missing stock. May be theft, data error, pick error or other reasons.	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	KNOWN