

### About Shrinkage:

- Shrinkage describes where product and sales income losses occur through the value chain. It consists of malicious loss (theft, supplier fraud) and non-malicious loss (process failures).
- Shrinkage reduction represents a great opportunity for business partners to increase profits and shopper satisfaction.
- Many business functions can play a role in reducing shrinkage.
- Focus on high risk stores, categories and products as priorities.

### 'Known' versus 'unknown' loss:

- Some loss will be treated as known loss where a loss occurs that can clearly have its reason captured – eg: where product goes out of date. Other losses are treated as unknown where it is not possible to attribute a reason eg: stock is missing during stock take. [Click here for how various retailers treat loss types.](#)



### What is the cost of shrinkage to the grocery industry?

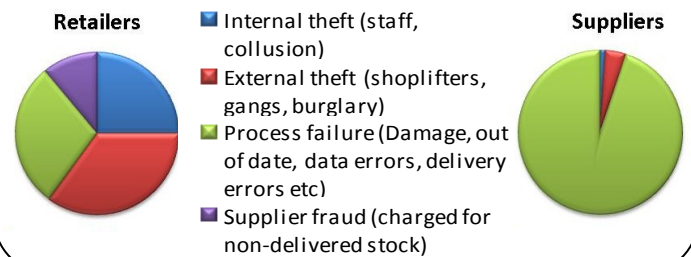
Location of shrinkage occurring	Loss as a percentage of supermarket retail sales (note: will vary by business)
Retailers	1.52%
Suppliers	0.21%
Industry	1.73%

**More than \$1 billion each year in Aust.**

A 25% reduction in shrink would equate to a 12% profit increase to retailer with a 3% profit margin!

ECR Australia 2002

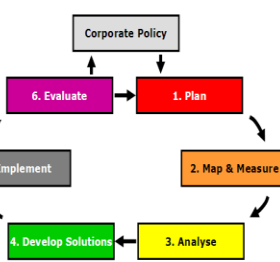
### What are the major causes of shrinkage?



### What are some approaches that can be used to try to reduce product theft?

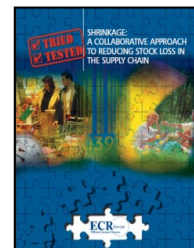
Logistics Operations	Store Operations	Fixture Management	Anti Theft Packaging	Electronic Tracking
Secure delivery – dispatch high risk product in sealed /covered pallet; DC dispatch manager/ staff awareness	Secure delivery receipt, secure backroom area, category location in store, manager/staff awareness.	Visibility of fixture to staff, lower gondolas, anti-shrinkage hooks for hang-sell, regular shelf check/fill.	Difficult to open packaging, anti-theft bottle tops, oversize packaging, anti-sweep packaging.	Electronic security tags and walk through pedestals at exits, CCTV cameras and monitors.

### How can business partners take a collaborative approach to reducing shrinkage?



#### Follow the ECR Shrinkage Reduction Road Map:

- Map and measure entire value chain
- Identify key risks including "Hot stores" and "Hot Products"
- Assess root cause of each risk area
- Develop solutions to address key risk root causes
- Design action plan priorities . Assign responsibility to action
- Implement plan and evaluate results



[Click here to access guide](#)



#### Shopper impacts:

Shrinkage leads to stock outs on shelf resulting in lost sales & frustrated shoppers ...but so does 'locking up' product. Shopper friendly solutions should be used.



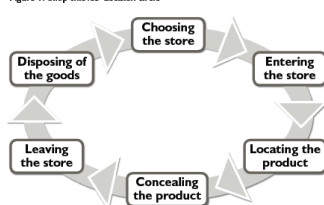
[Shopper and Staff impacts](#)

### Where can I get more information? Click on links below or visit [www.ecraustralasia.org.au](http://www.ecraustralasia.org.au)



[Best practice](#)

Figure 1: Shop thieves' decision circle



[Criminality insights](#)

[Job role based guidance for shrinkage management](#)



[Reports and Case studies](#)