

Unlocking the profit potential: Delivering growth through effective shrinkage management

Breakout B02.3

**ECR Europe Congress
Milan
Wednesday 9th May 2007**

A warm welcome from:

- John Fonteijn, Royal Ahold
- Colin Peacock, P&G

Co-chairs of the ECR Europe shrinkage
working group

Session Overview

- Introducing the ECR Europe team
- Eight years of success through innovation
- Innovation showcase:
 - Understanding how people steal
 - Improving collaboration
- Making ECR work for you

The ECR Europe Shrinkage Project Team 2006-7

L'ORÉAL



BACARDI-MARTINI



ASDA
WAL★MART®

Sainsbury's

P&G

DIAGEO

METRO Group

ECR Europe
Efficient Consumer Response

WILKINSON

TESCO

Ahold

adidas



B&Q

Carrefour

University of
Leicester

Cranfield
UNIVERSITY
School of Management

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ECR Methods

- Better measurement of shrinkage
- Data sharing
- Addressing all aspects of shrinkage
- External Collaboration
- Internal collaboration
- Remove opportunity
- Focus effort on hot products and hot stores
- Use ECR Road Map

ECR Results



€620.574.000

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Staff Dishonesty in the Retail Sector: Understanding the Opportunities

Adrian Beck,
University of Leicester

Background

- A Perennial Concern
- Scale of the Problem
- Viewed as Highly Sensitive
- Overshadowed by External Theft
- Understanding Why People Steal

Understanding Why

- External Financial Pressure
- Opportunity
- Job Dissatisfaction
- Poor Pay
- Company Culture
- Type of Staff
- Neutralisation of Behaviour

Aims and Objectives

- Understand how workers in the supply chain exploit company procedures and processes to steal cash and goods.
- Understand what offenders think about current shrinkage management strategies
- Understand more about 'sweet-hearting' at the till.

Methodology

- Interviews with known offenders (35)
- Analysis of existing records held by companies on staff dismissed for dishonesty (15)
- Questionnaires completed by security staff who are interviewing suspected employees (31)

Methodology

■ Limitations

- Representativeness of Data Set
- Reliability of Respondents
- Relatively Small Numbers

■ The Data Set

- Total of 74 Usable Cases
- Highly Varied: €0.55 to over €150,000
- From Pickers to Store Managers
- Total of 99 'Dishonest' Events Analysed

Type of Staff

Type	Number
Till Operators	47
Shop Floor	12
Security Officers	4
Warehouse	4
Management	3
Chief Cashier	2
DC Pickers	2

Findings: Place of Offending

Type	Number
Till	68
Warehouse	16
Shop Floor	5
Refund Counter	2
Retail Distribution Centre	2
Cash Office	2
Other	4

Offending at the Till

Type
Stealing cash
Non scanning of items for family, friends or colleagues
Allowing family and friends to use staff discount card
Serving family and friends
Adding points to own loyalty card
Stealing phone top-up cards
Using and deliberately accepting counterfeit money
Short changing customers and stealing the cash
Stealing credit cards left behind inadvertently by customers
Stealing gift cards
Stealing discount vouchers
Last item voiding
Giving extra change to family and friends

Offending in the Warehouse

Type
Eat stock
Walk out back of store with items
Hide items outside
Put items in clothing or bag
Hide/set aside stock to wait for discount

Process Failures and Offending

- Inadequate Security Searches
- Till PIN Abuse
- Poor Till Procedures: Emptying and Checking
- Abuse of Staff Exit Policies
- Poor Use of Security Cage
- Unauthorised Access to Warehouse
- Lack of Supervision at Night

Offending and Prevention

- Role of CCTV
- Staff Searches
- Better Training on Use of Till
- Staff Awareness of Security Capability
- Better Staff Screening
- More Awareness of Company Policies
- Greater Degree of Supervision and Checking

Conclusions

- Simplicity of Most Offending
- Generally Perceived as Easy
- Perceived Vulnerability of the Till
- Lack of Awareness of Security Potential
- Importance of Surveillance
- Value of Encouraging Staff Integrity
- Ongoing Problem of Sweethearting



School for Scoundrels

Martin Sayer

Loss Prevention
Director

Sean Bowen

Head of Corporate
Security

ASDA

part of the **WAL★MART** *family*

Important Context

Examples could be any retail business

We do have colleagues who work at Asda that steal but the vast majority are honest, hard working individuals just like you and me

Asda core values - Respect for the Individual and our aim is to treat all colleagues as honest

School for Scoundrels

“The Top 100 Scams: How do retail staff use and abuse the retail till?”

Beginner - In the Warehouse

- ✓ Free food & drink
- ✓ The art of doing nothing
- ✓ Price reductions & markdowns
- ✓ Layaways & holding back product
- ✓ Carefully damaging things
- ✓ Waste
- ✓ Rubbish
- ✓ Yield

Intermediate - At the checkouts

- ✓ Skip scanning
- ✓ Bottom of trolley
- ✓ Overchanging
- ✓ Bar coded wrist
- ✓ Staff discount
- ✓ Voiding whole transaction
- ✓ Voiding last item
- ✓ Overcharging and keeping difference
- ✓ Shortchanging
- ✓ Cashback
- ✓ Price overriding
- ✓ No sales

Advanced - Refund Desk

- ✓ Gift card loading & E Bay
- ✓ Gift card balances
- ✓ Refunding onto our own credit cards
- ✓ Refunding onto gift card

Congratulations graduating class of 2007!



Effective Collaboration

Dr. Paul Chapman

Senior Research Fellow

Cranfield School of Management, UK

Collaboration

- Collaborate: “to work jointly”
- Collaboration: “Businesses achieving their individual goal of maximum appropriation of value, mutually.”

Context

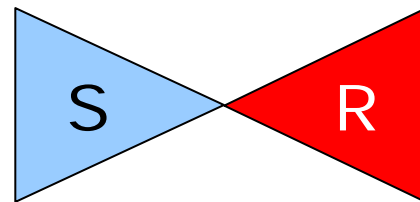
Collaboration sits within a context of supply chain management

“Supply chain management can be defined as the management of upstream and downstream relationships with suppliers, distributors and customers to achieve greater customer value-added at less total cost”.

- Martin Christopher

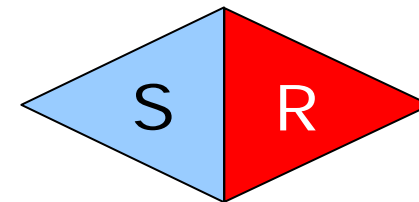
Openness of Relationship

Closed



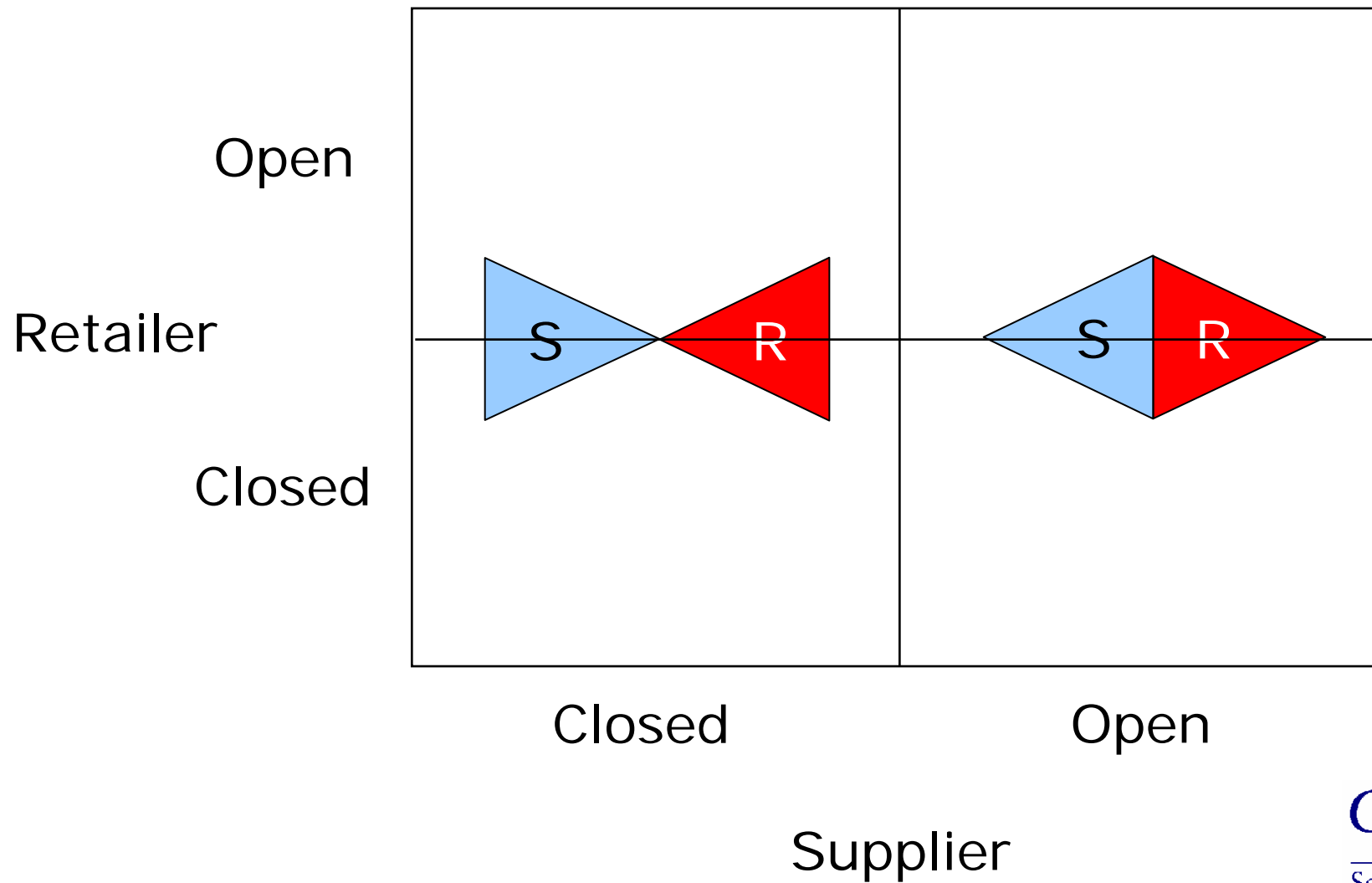
Limited to sales and buying

Open

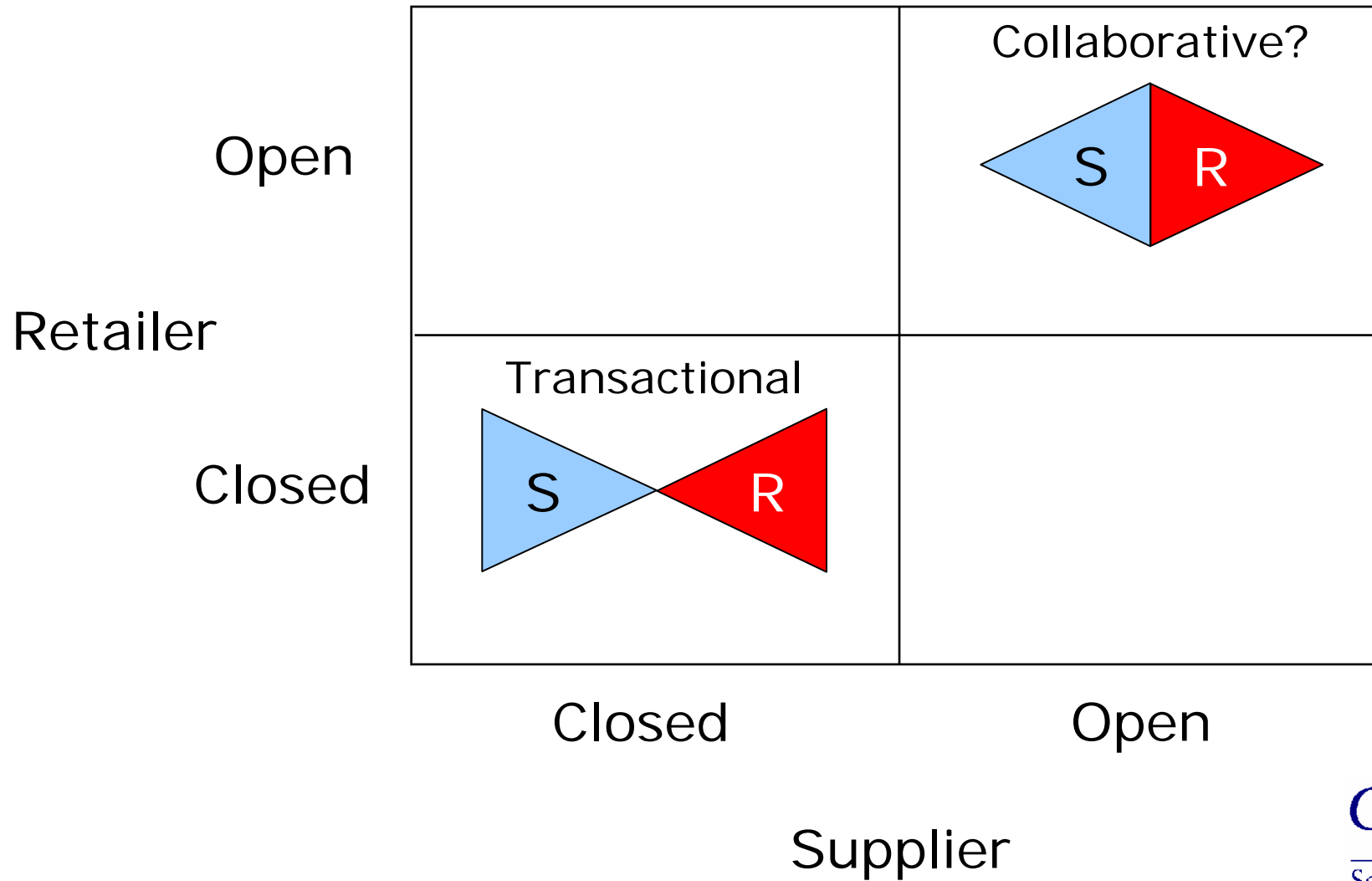


Extended across many functions at both organisations

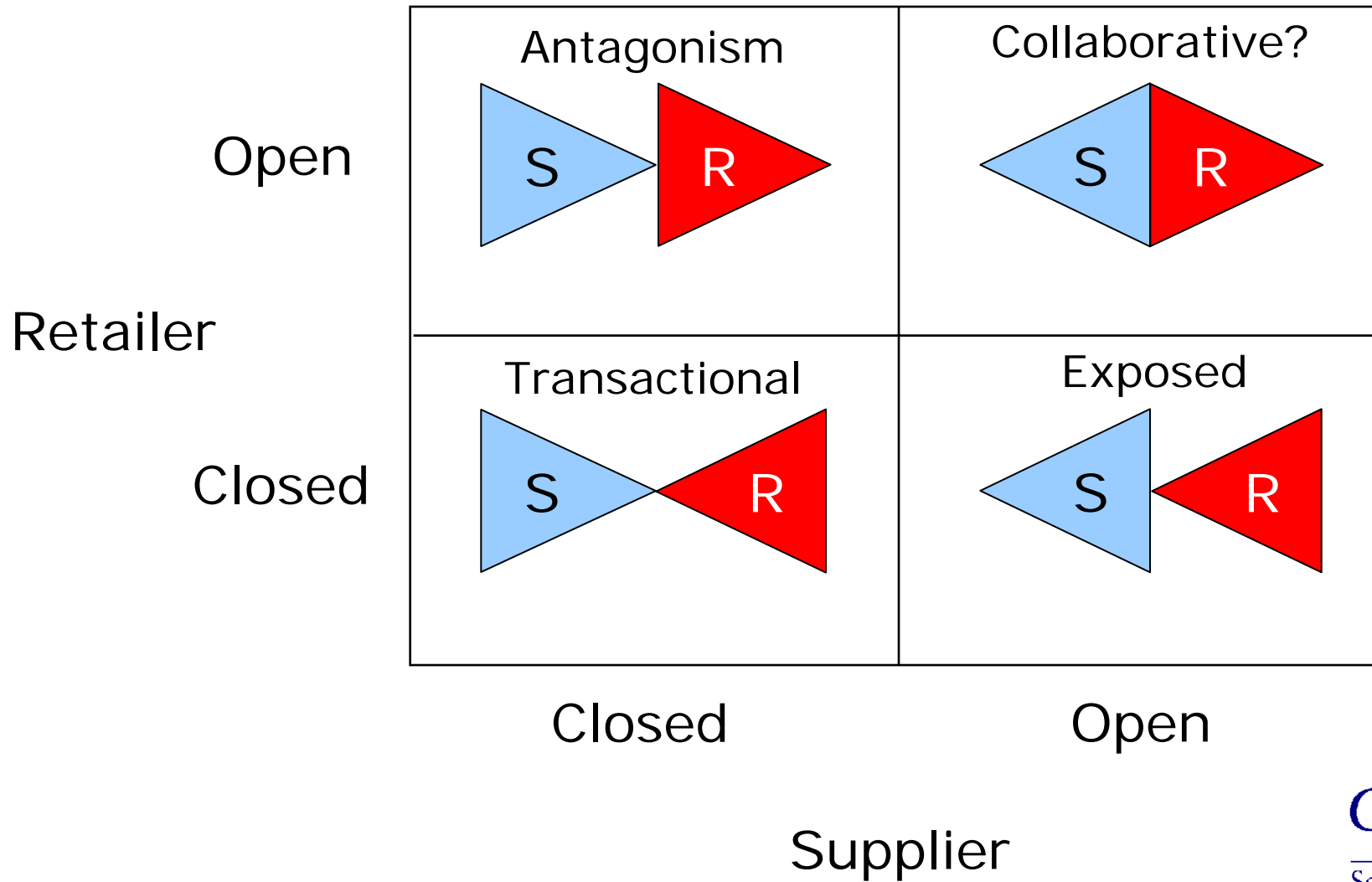
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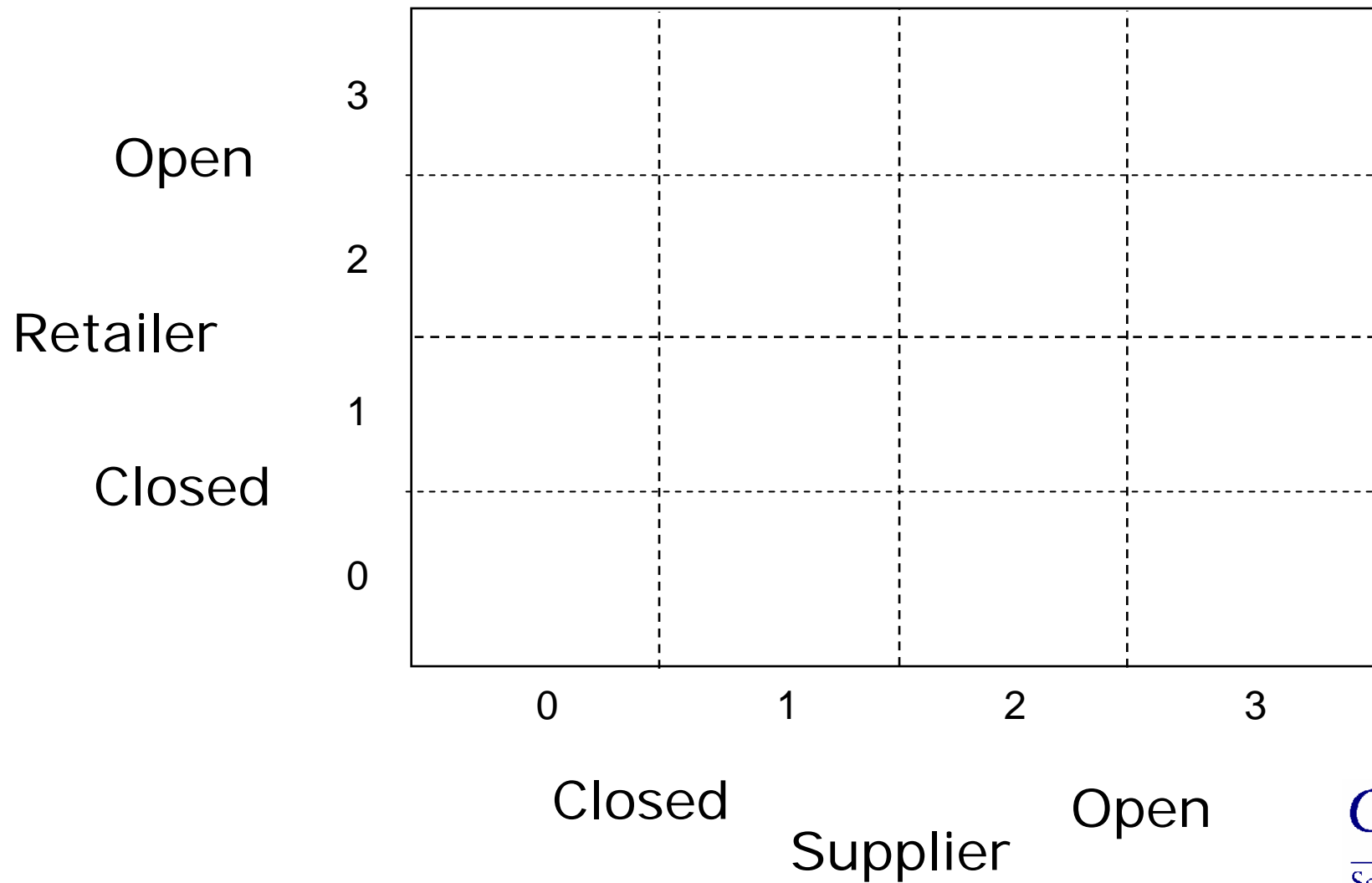
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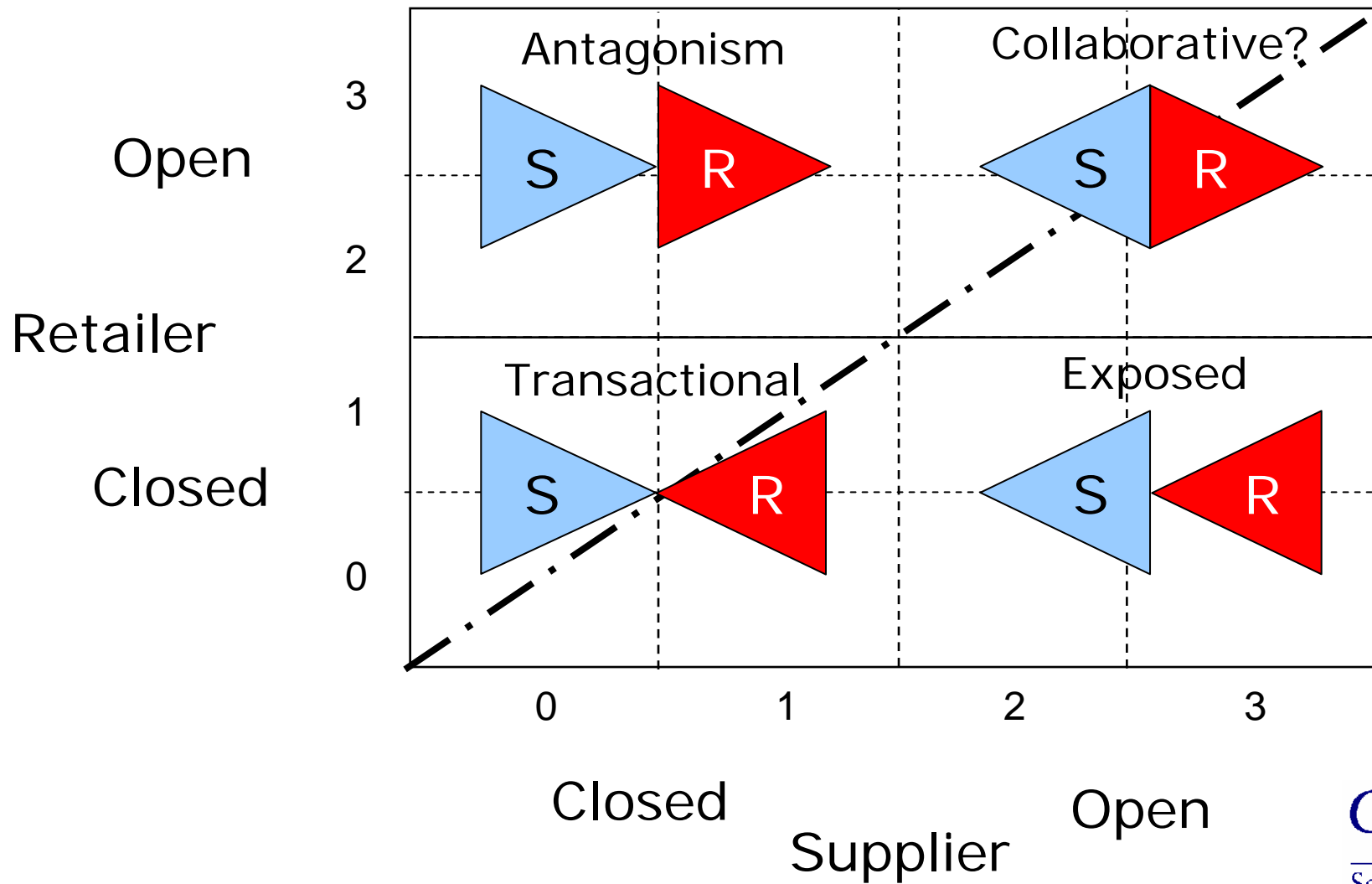
Collaborative Practices to Address Shrinkage

Stages in Development	Collaborative Practices
<i>0. Ad hoc</i>	One way dialogue: I talk, you listen
<i>1. First Steps</i>	Some internal co-operation, e.g. between loss prevention and store operations. Occasional pilot projects.
<i>2. Systematic Practices</i>	Loss prevention integrated and coordinated across functions. - Retailer: LP; buyers; store ops - Manufacturers: product design; packaging; account managers Work with supply chain partners.
<i>3. Strategic Policy Deployment</i>	Regular cross-functional dialogue to design out stock loss throughout the supply chain. External collaboration with SC partners, including data sharing and problem identification

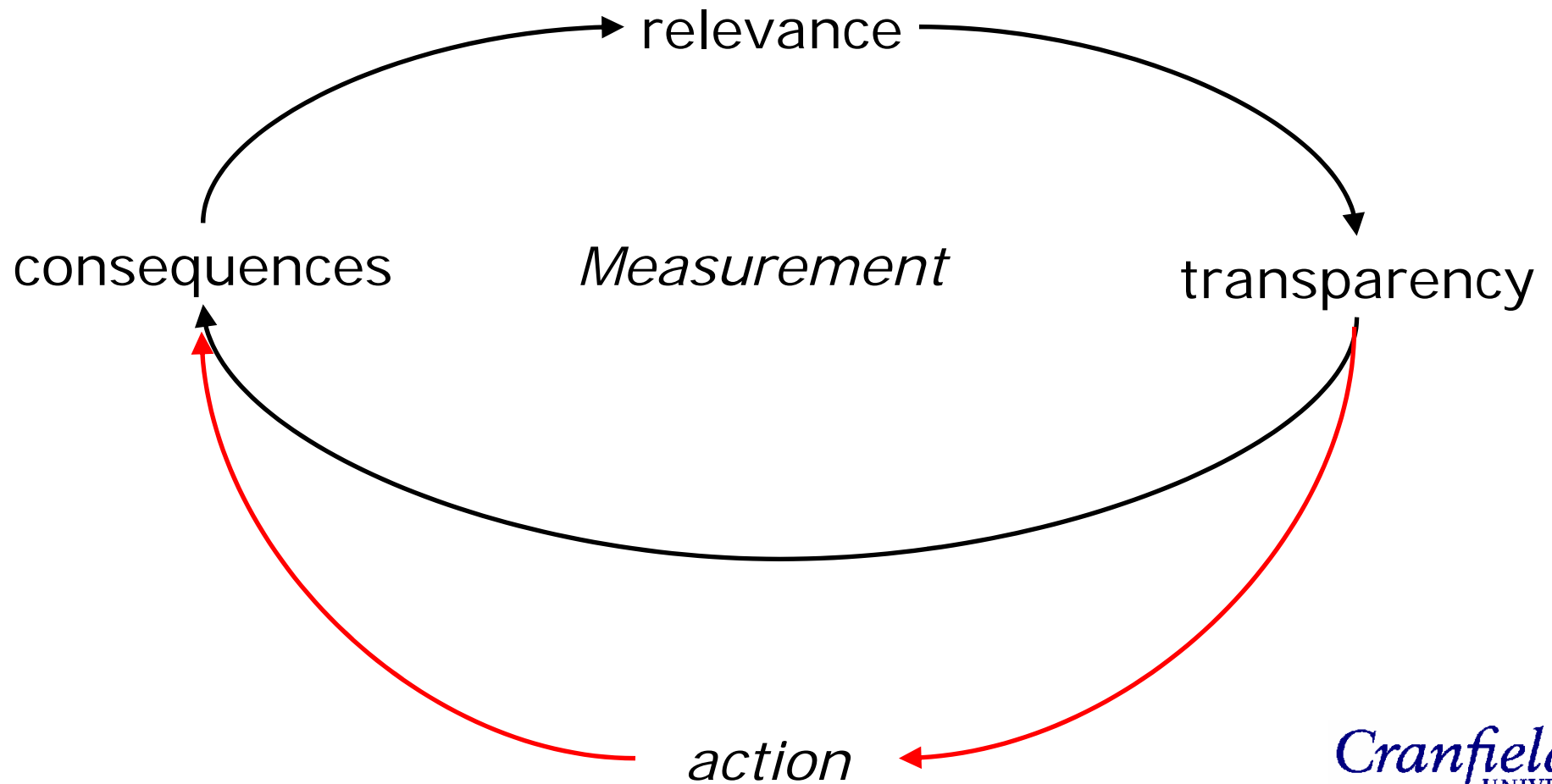
How compatible are your relationships?



How compatible are your relationships?



Final thought: A systems view on collaboration



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The VAGA opportunity

Control loss in the supply chain of a new 'Hot Product'
A collaborative approach between retail and manufacturing.

Presentation by Albert Heijn and Procter & Gamble
Milan, May 8 2007

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Background

P&G



- Ahold loss prevention and security managers identified serious risk for high level of shrink behind “FUSION” a new Gillette product to be introduced by P&G

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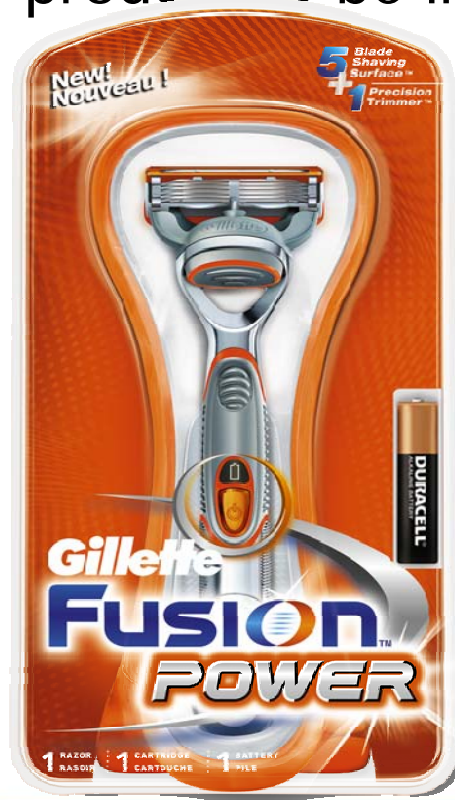
MACH 3:
“HOT ITEM” #1

Background

P&G



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NEW FUSION:
“Even **HOTTER**”

Background

P&G



- Ahold loss prevention and security managers identified serious risk for high level of shrink behind “FUSION” a new Gillette product to be introduced by P&G

The Gillette Fusion logo, with 'Gillette' in a smaller font above 'FUSION' in a larger, bold, blue font with a white outline. The 'O' in 'FUSION' is stylized with a blue and white circular pattern.

Gillette®
FUSION™

5 Blade Shaving
Surface™ Technology



Massive mass media campaign

- Ahold loss prevention and security managers identified serious risk for high level of shrink behind “FUSION” a new Gillette product to be introduced by P&G



*premium priced (+17%)
versus Mach 3*

*Truly
Innovative
Precision*

The VAGA opportunity

P&G



- Joint Ahold/P&G workshop in VAGA, Norway:



The VAGA opportunity



- Joint Ahold/P&G workshop in VAGA, Norway:
ECR shrink reduction roadmap used to identify opportunities for collaboration:
 - *limit shrink in the supply chain of this product*
 - *have open sales promotion of the new product and minimize losses at the sales area*
 - *use learning's to increase open sale of high shrink (theft) products that are now sold from Vensafe machines or service counters*

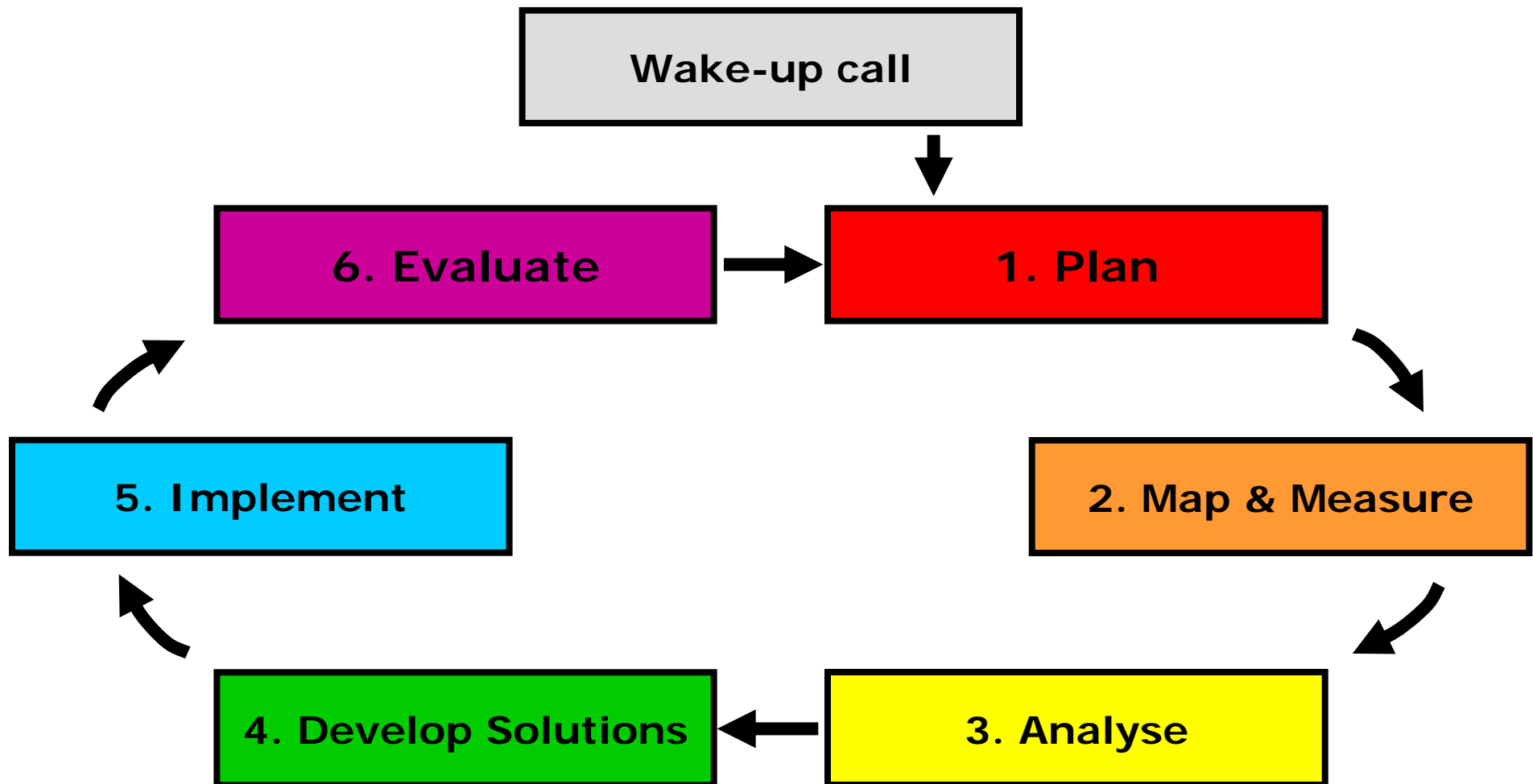
The VAGA opportunity

P&G



- Objectives
 - *Improve shopper satisfaction*
 - *Double profitable Shaving business*
 - *Sell More.....Lose Less*

ECR Shrink reduction Roadmap





Wake-up call

Call to action
*fear for new **HOT** Gillette product counter productive vs. trend to move to "open sale"*

1. Plan

2. Map & Measure

3. Analyse

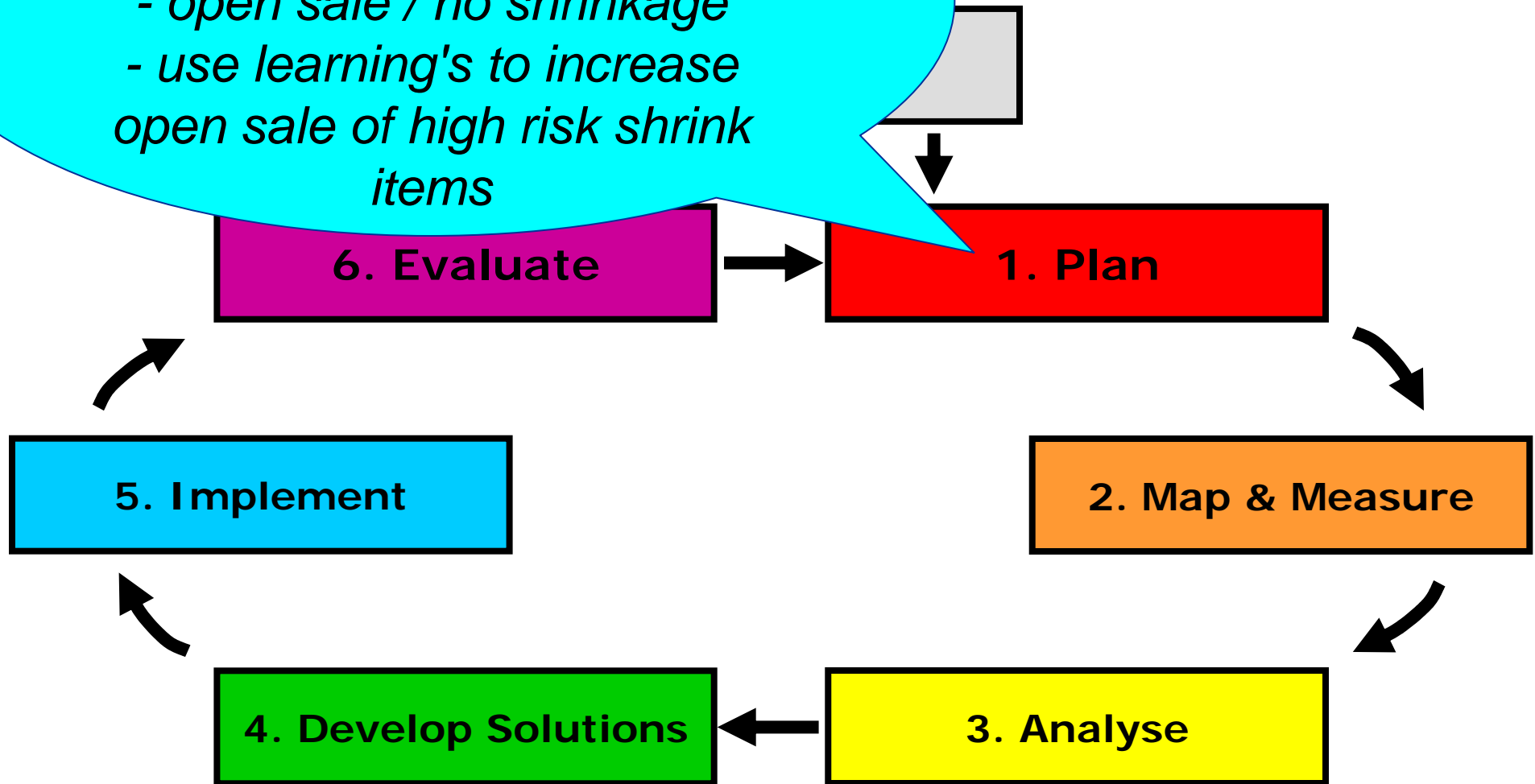
4. Develop Solutions

5. Imp

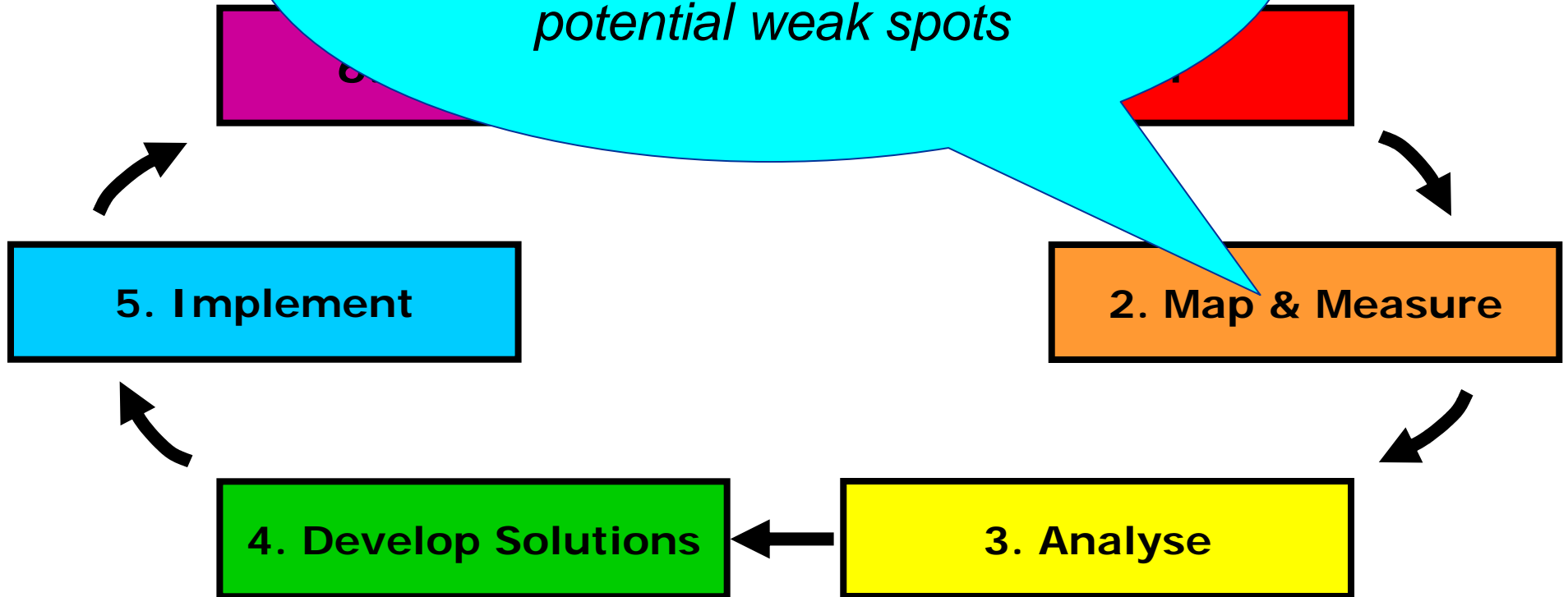


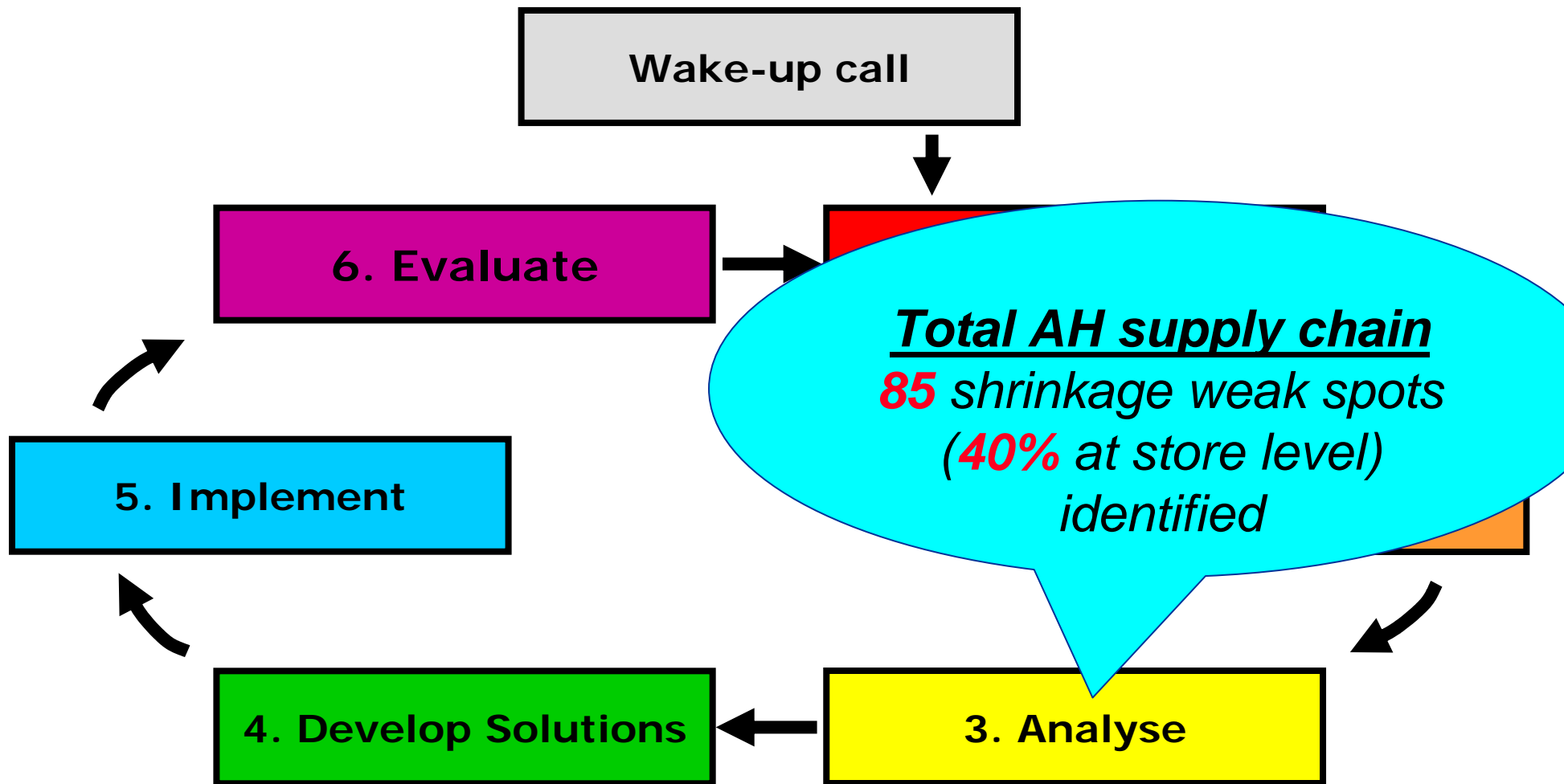
Pilot Fusion at Albert Heijn:

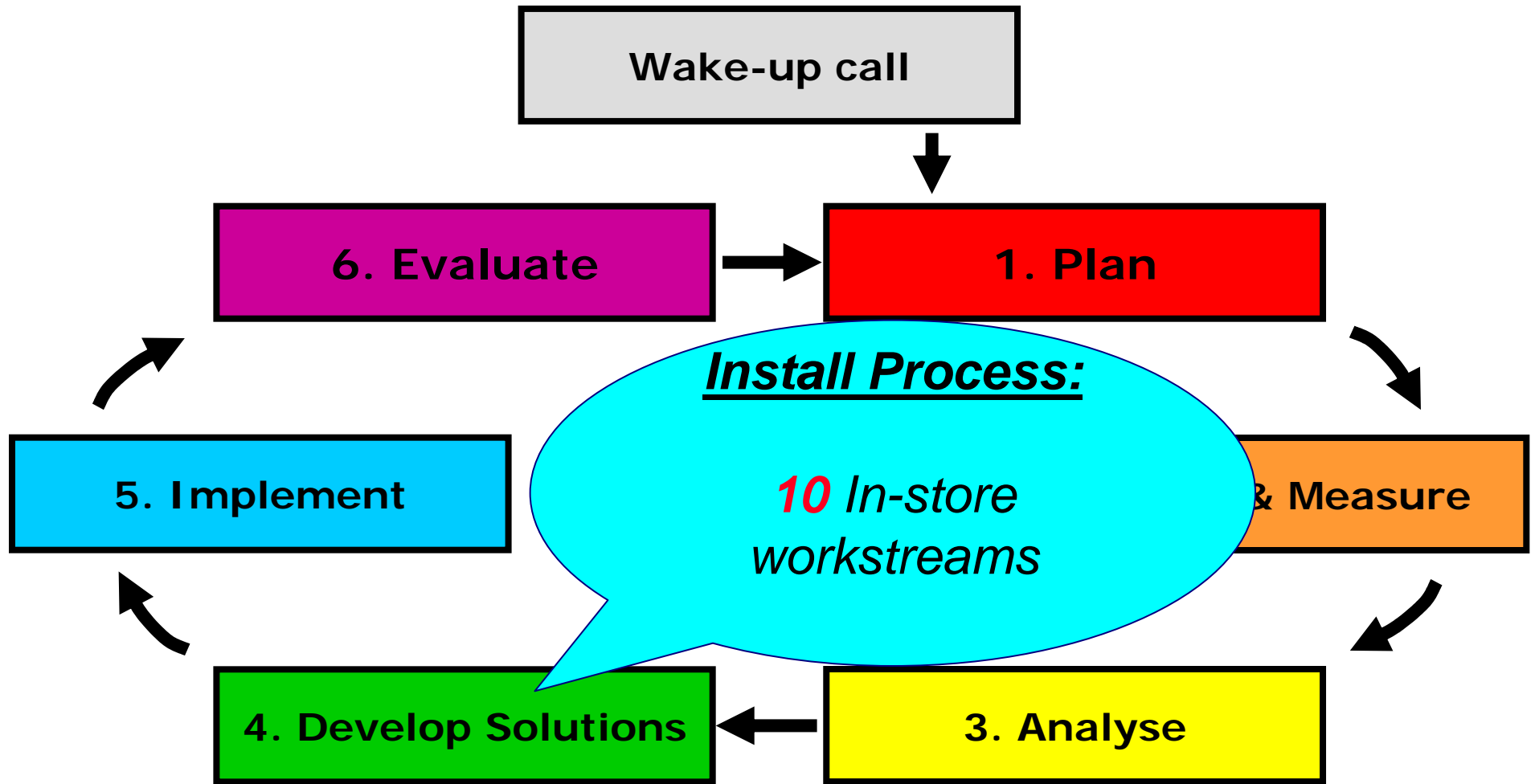
- open sale / no shrinkage
- use learning's to increase open sale of high risk shrink items



Process mapped
Supply chain: check each part from supplier to check out, on potential weak spots



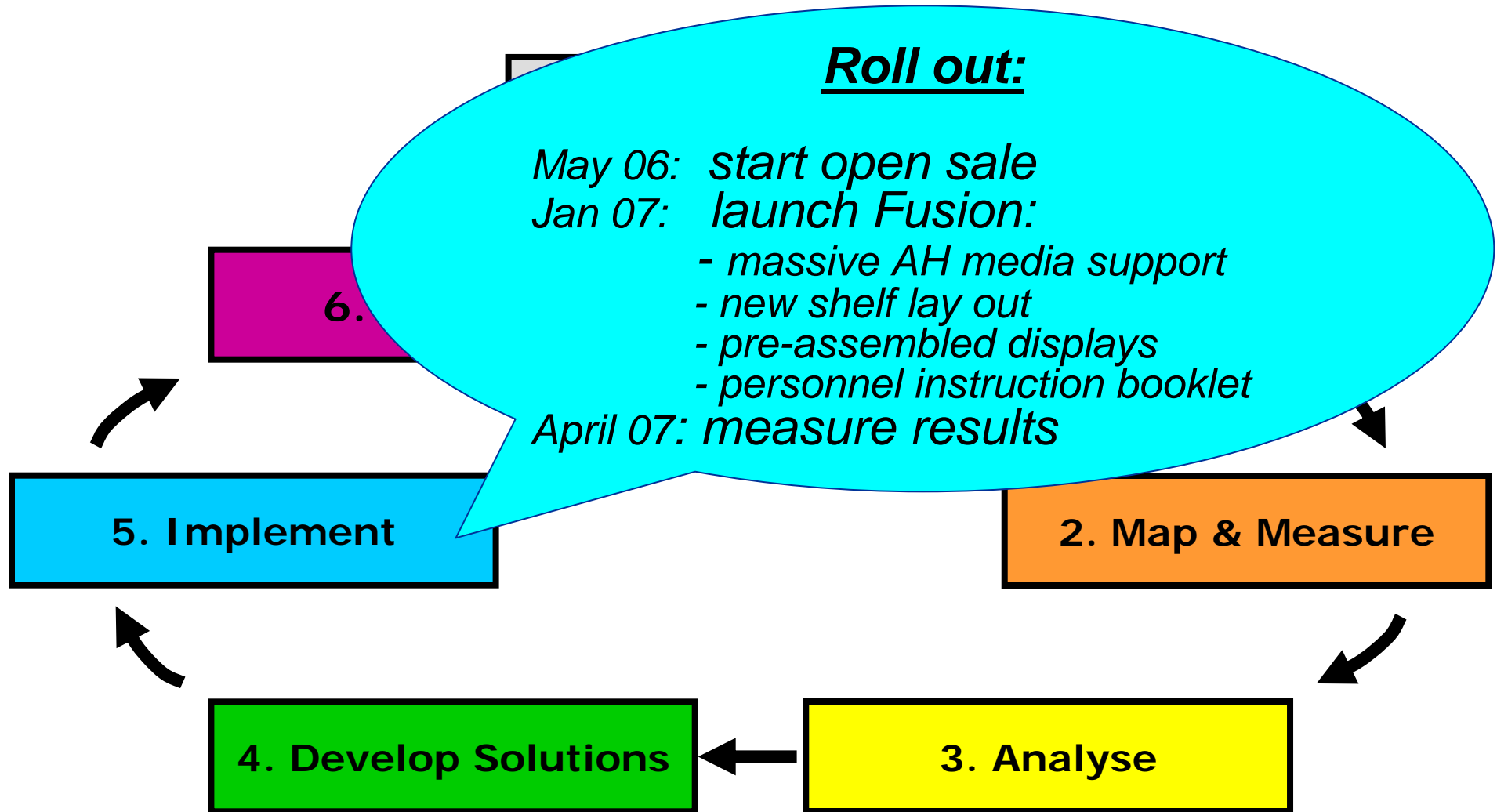




10 In-store work streams



<u>Work streams</u>	<u>Deliverables</u>
In store champion	<i>Create ownership</i>
Secure delivery	<i>Separate high risk from low risk items</i>
Check deliveries	<i>Monitor for discrepancies</i>
Fast tracking to secure areas	<i>Avoid leaving high risk goods vulnerable</i>
Visible locations	<i>Place high risk items where you can see them</i>
Product protection	<i>Consider need protection tools (eg. Safer Cases)</i>
Appropriate replenishment	<i>Keep inventories in line with the rate of sale</i>
Regular counting	<i>Track losses, deter theft, improve detection</i>
Associate awareness	<i>Create employee involvement</i>
Track and evaluate	<i>Follow up structurally</i>



10 In-store work streams



<u>Work streams</u>	<u>Deliverables</u>	
In store champion	<i>Create ownership</i>	?
Secure delivery	<i>Separate high risk from low risk items</i>	✓
Check deliveries	<i>Monitor for discrepancies</i>	X
Fast tracking to secure areas	<i>Avoid leaving high risk goods vulnerable</i>	✓
Visible locations	<i>Place high risk items where you can see them</i>	✓
Product protection	<i>Consider need protection tools (eg. Safer Cases)</i>	✓
Appropriate replenishment	<i>Keep inventories in line with the rate of sale</i>	?
Regular counting	<i>Track losses, deter theft, improve detection</i>	X
Associate awareness	<i>Create employee involvement</i>	?
Track and evaluate	<i>Follow up structurally</i>	?

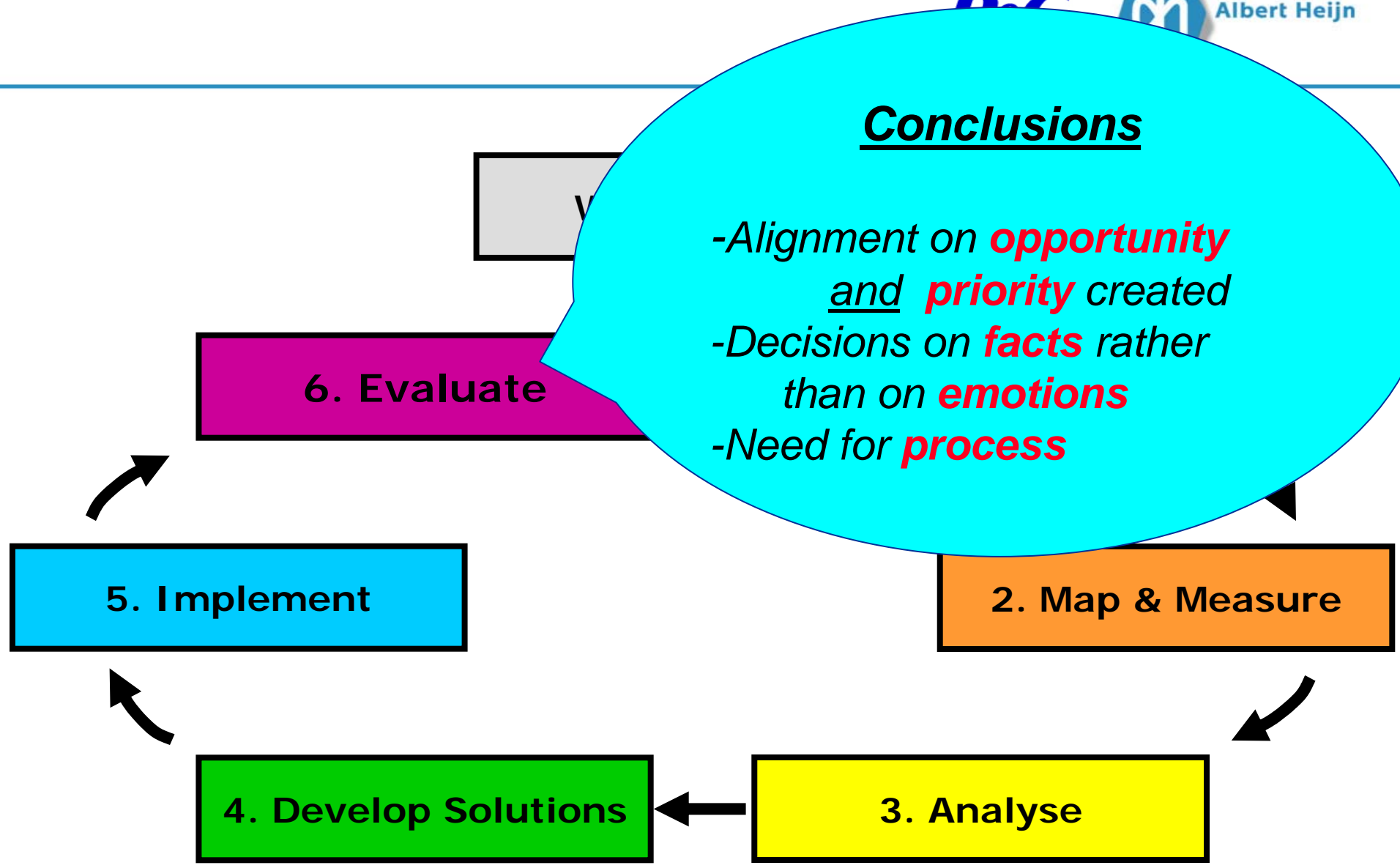
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Track and evaluate	<i>Follow up structurally</i>	?

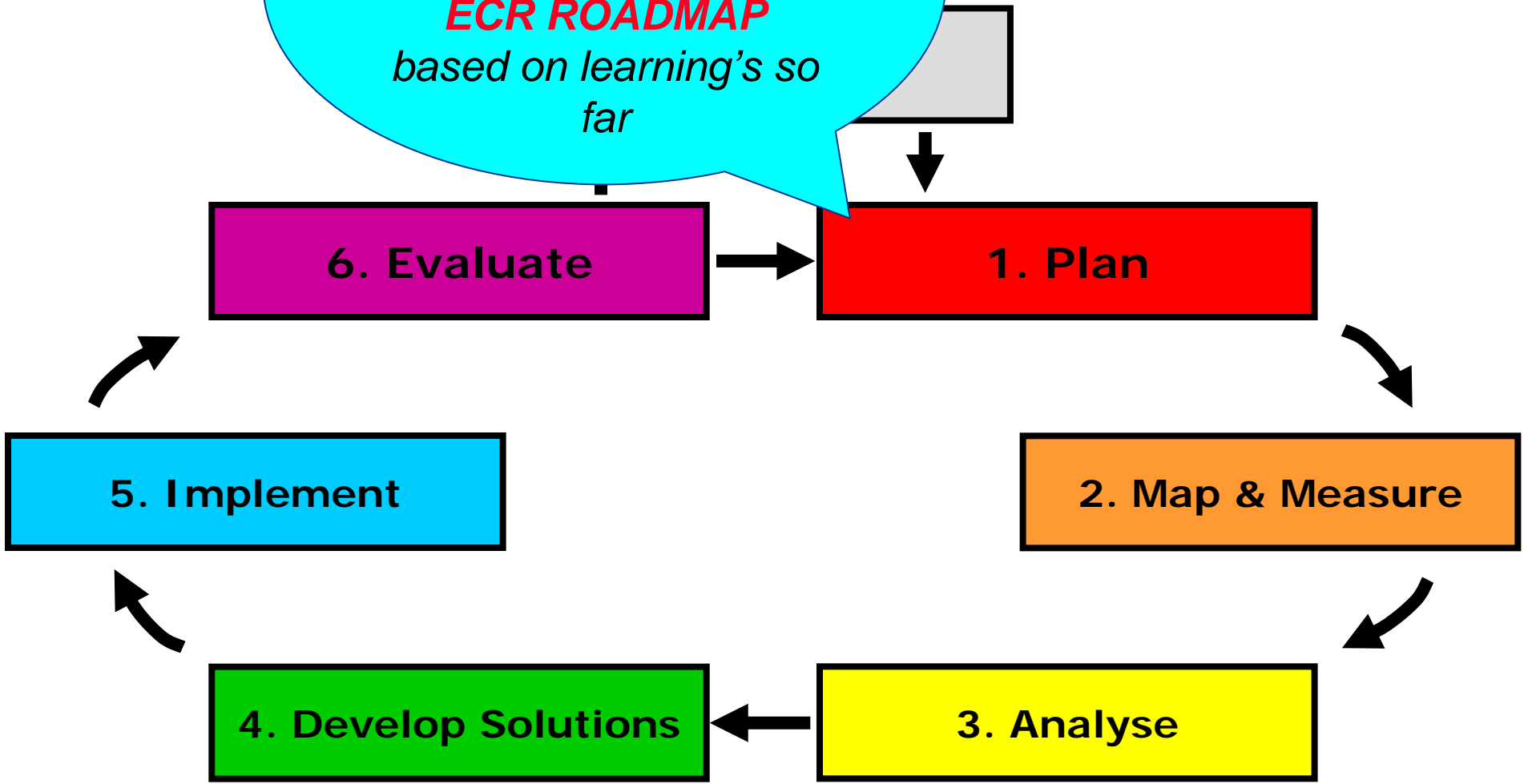
- Sales at Albert Heijn
 - Category uplift **+50%** in stores with excellent execution
 - Fusion: Great launch, “**double fair share**”
 - After 3 months slowing down to below target
razor blades sold per handle at Albert Heijn lower than at other retailers

- Shrinkage:
 - Acceptable increase vs. over-the-counter sales based measuring instore stock differences at HQ level
 - However no clear picture at store level as results are not being measured by store employees
 - Theft results based on emotions rather than on facts



Next steps

2nd round
ECR ROADMAP
based on learning's so far



6. Evaluate

1. Plan

5. Implement

2. Map & Measure

4. Develop Solutions

3. Analyse



Thanks for your attention!

Ruud de Weerd, Albert Heijn
Peter Knol, Procter & Gamble

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Transforming the Buying Team into Profit Protection Champions

Ian Carter – Head of Profit Protection
Ray Palmer - Divisional Stockloss Manager

B&Q

B&Q

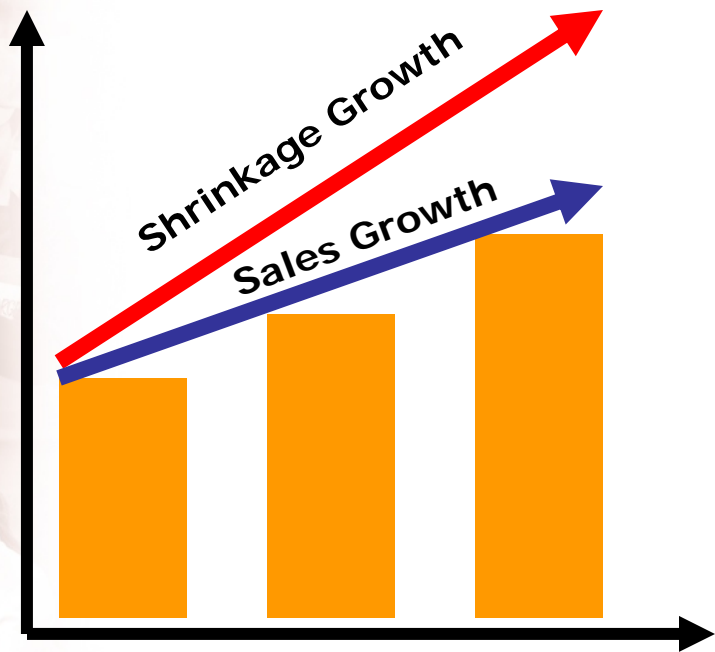


Objectives of this session

- To share our journey
- Why is our structure evolving
- Our approach to engaging our Commercial colleagues
- Some of our success stories



A Brief History – The need to change



- 5 years ago Shrinkage was growing at a rate that was unsustainable
- Reducing Shrinkage was an opportunity to significantly grow profitability
- Reducing Shrinkage protected our business growth model
- Reducing Shrinkage was a board priority

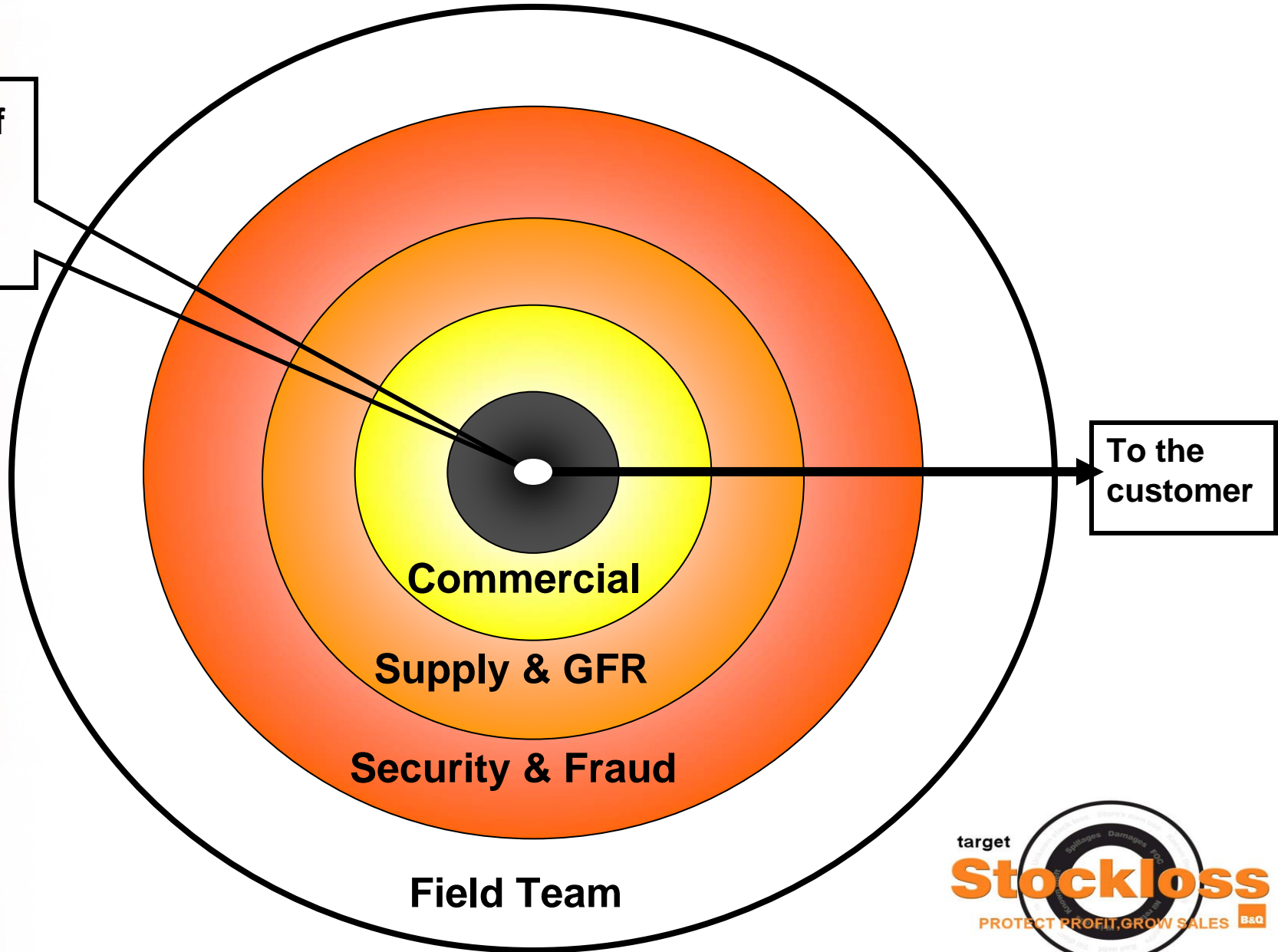


Causes of Stockloss



Team Structure

From point of design and manufacture



What are the priorities for the
Buying / Commercial Team?

Sales

Margin

Cost Price Reduction

New Range

Packaging

Stockloss

Etc, Etc....



What is the benefit of a Commercial Shrinkage Team?

- Improve on shelf availability
- Solve the root cause of the problem once rather than in every store
- Increase sales
- Reduce task and service costs
- Quantifiable reduction in store shrinkage



What do we offer the Commercial / Buying Team?

- Commercial principles that benefit our customers
- Help reducing end to end life cycle costs
 - = Opportunities to improve profitability
- Shrinkage management information
 - Category performance
 - Worst suppliers
 - Line level focus on worst product
- Solutions that support improved sales with reduced levels of loss



What can the Buying Team do for us?

- Facilitate proactive dialogue with vendors
- Make shrinkage part of their decision making process
- Merchandise protection
- Packaging options
- Range review inclusion
- Display charging
- Exit plans



Commercial Stockloss Principles

■ After Sales Impact

- Have you considered any after sales service required by your customers such as spare parts and helplines?

■ Customer Shopping Behaviours

- Are your customers being given the tools to shop the product such as samples and adequate displays?

■ Merchandise Protection

- Are you using the relevant tools, technology and packaging to protect your products?

■ Range Review and Stock Exit

- Poor exit plans create Stockloss: Ensure clear instructions are in place and Stockloss implications are considered.

Store Own use is stockloss



Stockloss Principles

•After Sales Impact

Consider after sales service such as spare parts & helplines

•Customer Behaviour

Give your customers the tools to shop the product such as samples and adequate displays

•Merchandise Protection

Use tools and technology to protect your products

•Stock exit and Range Review

Poor exit plans create Stockloss: Ensure clear instructions are in place and Stockloss implications are considered.

Commercial Stockloss News

Andy

- Leisure Furniture
- Spare Parts
- Tapis
- Horticulture
- Finnforest
- Robimatic

Louise

- Bathrooms
- Wall paper display
- Power tool returns
- Ceramic Prints
- Norbord
- ICI Paints

Joint Projects

Product Protection

Toolbox

C&D Bible

Education

Andy Bignell

02380 818167

07909 877986

Building & Lifestyle

Louise Perryman

02380 818128

07919 111809

Room Solutions

PPCommercial@b-and-q.co.uk

Top 10's

Buying Group

- 1) Bathrooms
- 2) Electros pares
- 3) Kitchens
- 4) Horti
- 5) Plumbing
- 6) Flooring
- 7) Power Tools
- 8) Wall Décor
- 9) Leisure
- 10) Ceramics

Suppliers

- 1) ABC
- 2) EFG
- 3) HIJ
- 4) KLM
- 5) NOP
- 6) QRS
- 7) TUV
- 8) WXY
- 9) Z12
- 10) D34



Wallpaper Sample Trial

Measure impact on

- Sales
- Stock Availability
- Customer feedback
- Stockloss
- Wallpaper Display
- Cost to Replenish



AZURE CLOAKROOM SUITE

Madrid Bathroom Suite

The MADRID SUITE comprises of

Toilet:

- Pan
- Push Button Flush Cistern including Fittings
- White Toilet Seat

Washbasin:

- Basin
- Pedestal
- Chrome Effect Basin Mixer and Pop-Up Waste

Bath (PACKED SEPARATELY)

- Acrylic Bath and Front Panel
- (Bath End Panel Sold Separately)
- Chrome Effect Bath Filler and Pop-up Waste



Commercial Summary

- Give them the data!
- Focus on Hot Products – Focus almost always brings improvements to Shrinkage
- Find out what is important to ***them***
- Set up a cross functional Shrinkage Action Group.
- Trial with an open mind
- Measure improvement
- ROI is not just about Shrinkage reduction its about improving sales and profit



Target 4 Stockloss 2007/08



Helping People Make B&Q More Profitable



TOILET TO GO

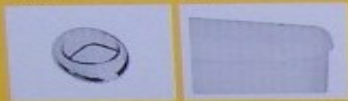
TOILET TO GO

TOILET TO GO

BOX CONTENTS:

- White close-coupled cistern
- White close-coupled pan
- Push button cistern mechanism
- White toilet seat

Conforms with the Water Supply (water fittings) Regulations, 1999 (England and Wales) and Water Byelaws, 2000 (Scotland).



FRAGILE
HANDLE WITH CARE - WEIGHT 32kg

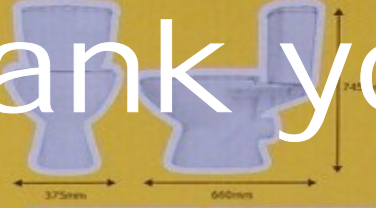


RECYCLE
WHERE FACILITIES
EXIST

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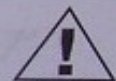
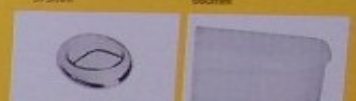


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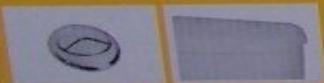


RECYCLE
WHERE FACILITIES
EXIST

TOILET TO GO

FEATURES:

- Full and half flush
- Horizontal outlet pan
- Bottom Inlet Internal overflow (BIIO) cistern
- Attractive chrome effect push button top flush
- Coordinated white seat hinges



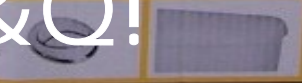
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TOILET TO GO

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FRAGILE
HANDLE WITH CARE - WEIGHT 32kg



Thank you.
Its time to go...

Only £69.98
from your nearest
B&Q!

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Making ECR work for you

- Write down 3 great ideas from this session
- Compare your ideas with someone next to you

Finally, an invitation:

- Participate in future research
- Join the ECR Europe Shrinkage Working Group

Arrivederci!