

Minimizing Shrinkage Creating Value

Alexandros Vaxevanellis
Market Strategy & Planning, Procter & Gamble

Agenda

- **Project Objective**
- **Shrinkage Definition**
- **Size of the problem**
- **Size of opportunity**
- **Steps to minimize shrinkage**
- **Pilot tests & Results**

Project Objective

- ◎ Categories' Value Increase
- ◎ Minimize percentage of Shrinkage
- ◎ Map the issue in Greece
- ◎ Identify practical steps to solution
- ◎ First ever pilot tests with results

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Shrinkage Definition

“The unknown difference of physical count and system that includes supply chain (supplier – DC – Store) as the percentage of category turnover”



Shrinkage in-store (shelf) is only the top of the iceberg

Main Shrinkage Root Causes

System Errors

- × Wrong stock & prices
- × Expiry
- × Damages
- × Errors at cashier

Logistics

- × Shrink during transportation
- × Billing errors
- × Damages

Internal Theft

- × Unfaithful personnel
- × Cash shrinkage
- × Backroom or cashier

External Theft

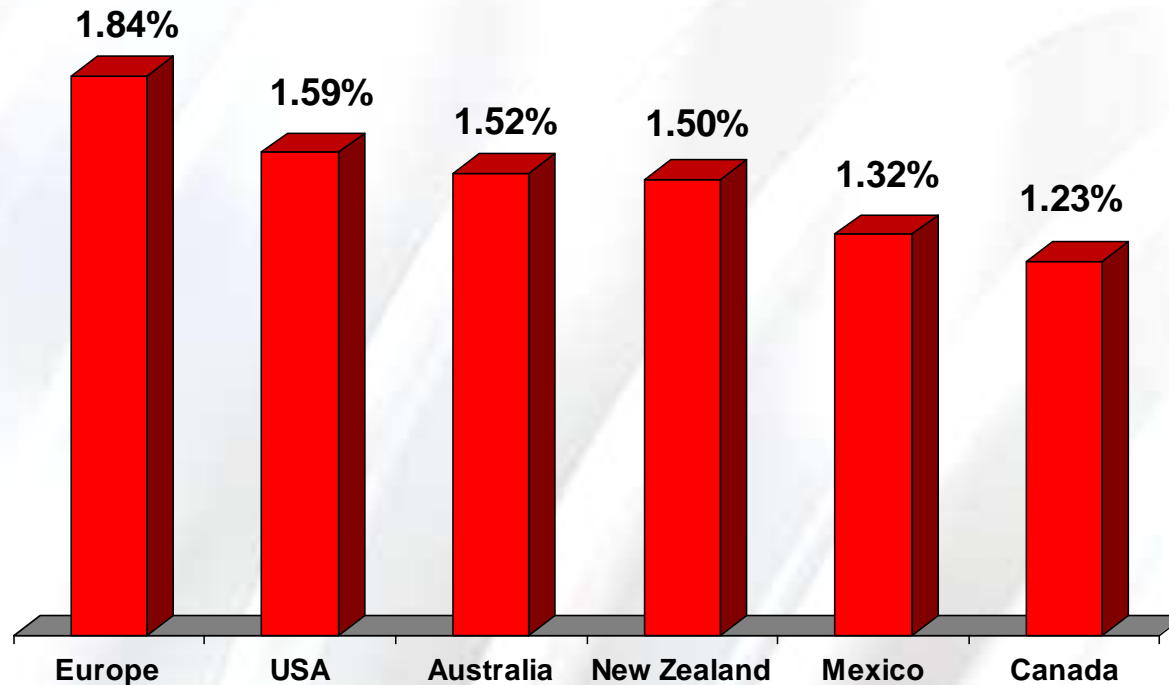
- × Shrinkage on shelf
- × For personal use
- × Gangs

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Size of the issue

Loss as % of sales

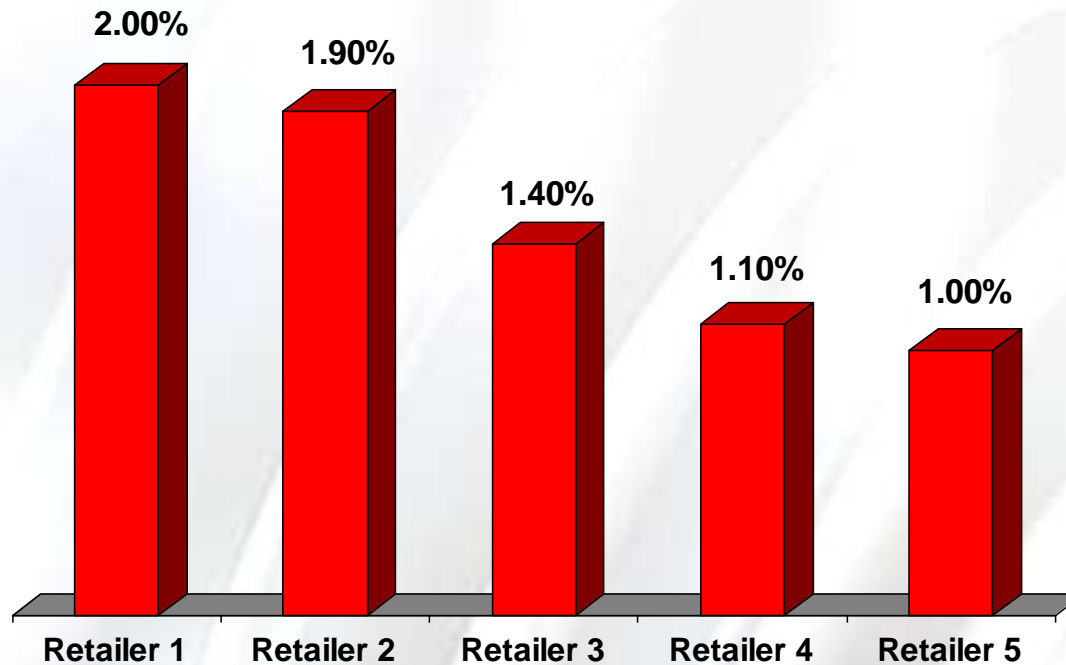


Globally 24 billion €!!!

Source: USA: University of Florida 2006 Report; Mexico: 1999 Dr Cecilia Margoana; Europe: ECR Europe 2004; Australia: ECR Australia 2002; New Zealand: Jihn Guthrie 2003; Canada: Retail Council 2004

Size of the issue in Greece

Loss as % of sales



Shrinkage approx. 180 million €!!!

Root causes effect

Studies	System Errors	Logistics	Internal Theft	External Theft	Total
ECR Europe	27%	7%	28%	38%	100%
University of Florida	15%	5%	48%	32%	100%
Checkpoint	16%	7%	29%	48%	100%
ECR Australia	29%	11%	25%	35%	100%

Shrinkage is a complicated issue

2/3 of losses is due to internal and external theft

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Winning In Challenging Times

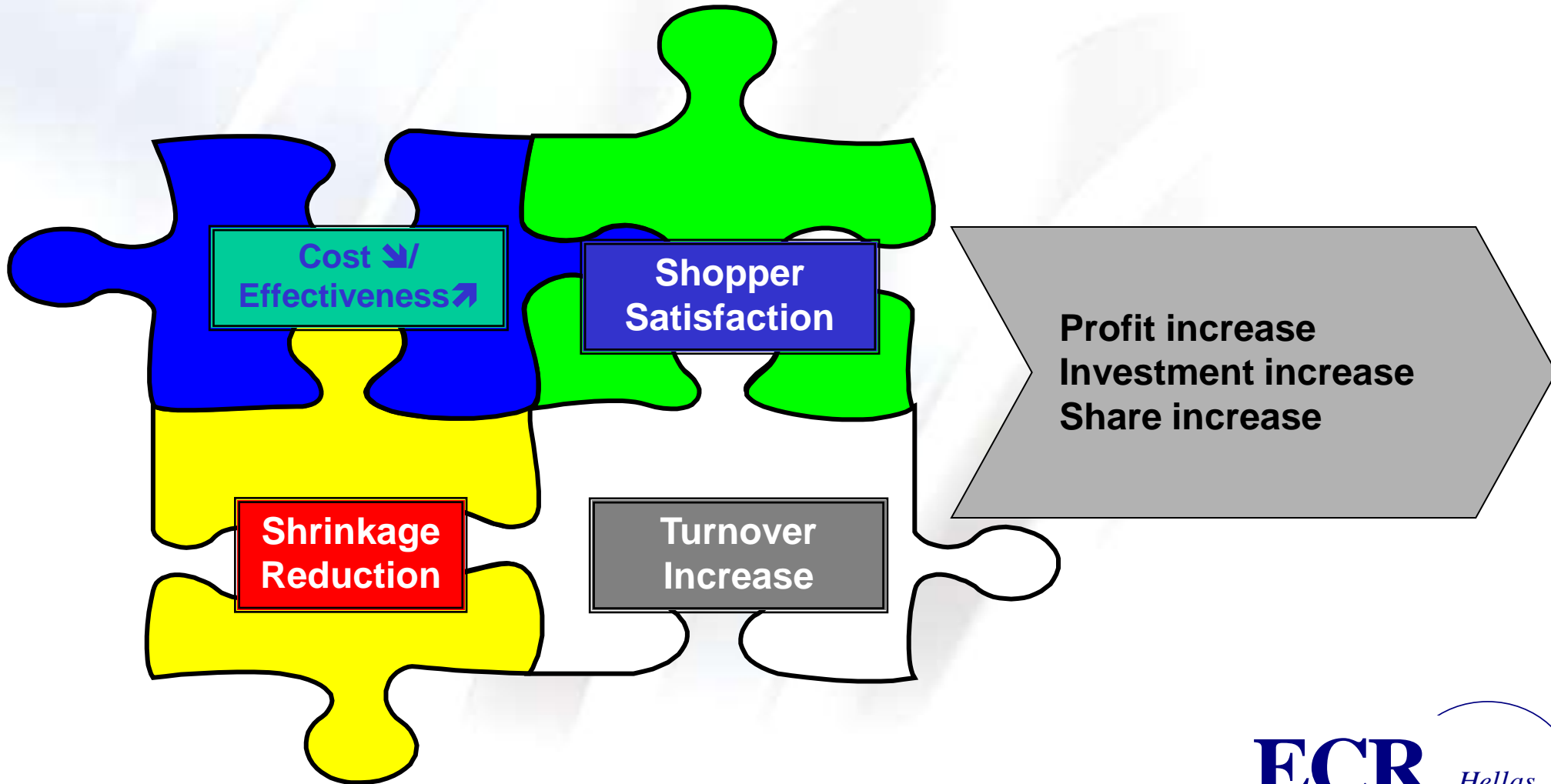


Panic?

What does the economic crisis mean

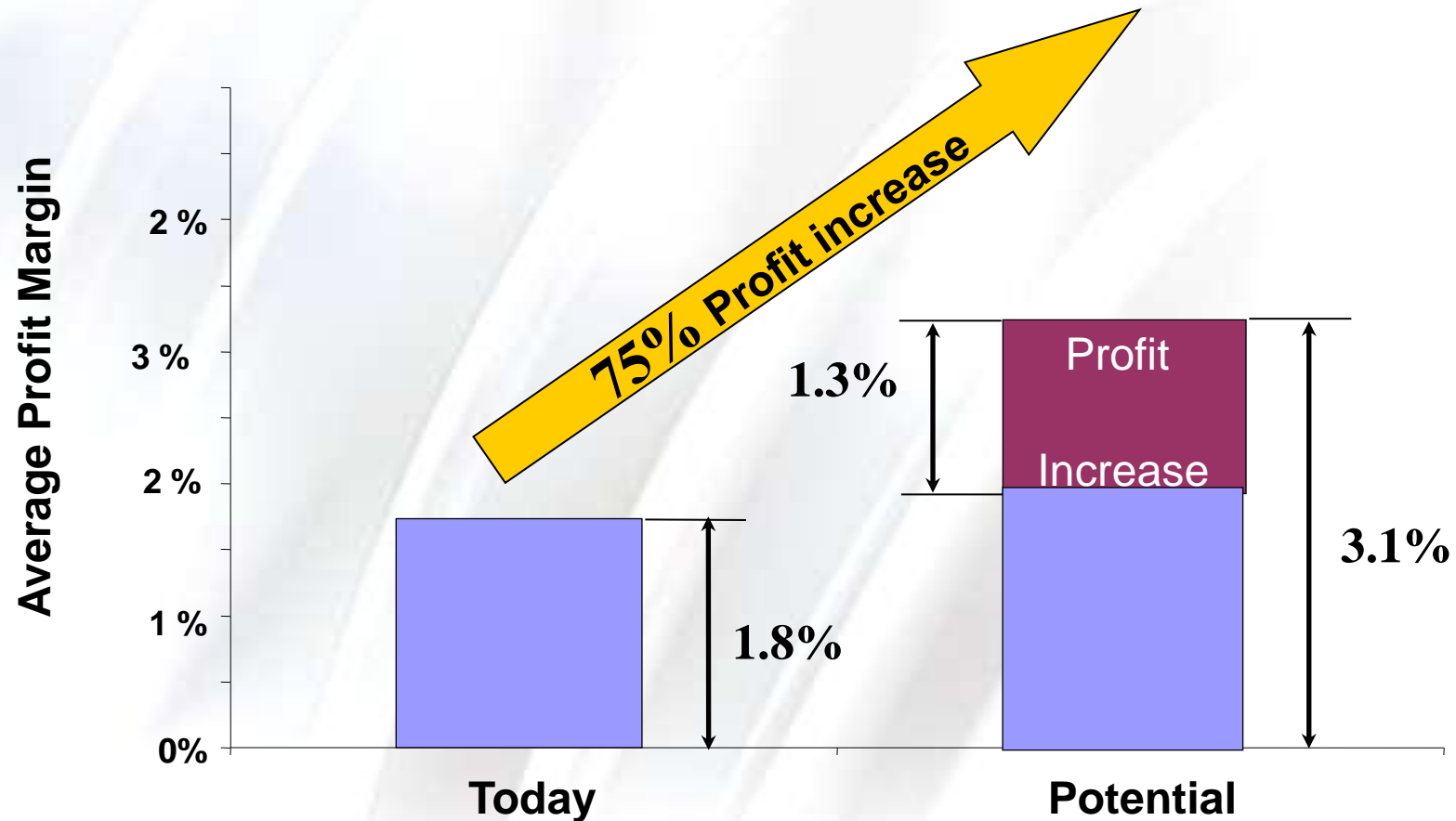


Shrinkage reduction is a part of a bigger opportunity...



Size of opportunity - Greece

Minimizing internal & external theft



Investment Opportunity...

180 million € annual savings

- ⊙ Avg 10% running cost reduction*
- ⊙ New stores' investment (72)
- ⊙ More personnel – better shopper service **(+40%)****
- ⊙ Annual salary increase **(+40%)****
- ⊙ More offers – inflation reduction **-1.8%**

* Total S/M Running costs 2007, 1.9 million € (avg retailer example)

** Estimations based on top retailer data

Turnover increase opportunity...



Impulse purchase

Allow and help shopper on what product to choose...

Availability

Shelf out of stock reduction to assure loyalty and shopper trust...



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Typical Approach

- Ignore the issue, it is not a priority
- Delegate responsibility
- Temporary, “crisis” solutions
- “Passion” over technologies



New Approach - ECR Hellas

- ☑ Map the issue
 - Based on years' ECR and studies' knowledge
 - We identify real root causes
 - Acknowledge value of the project
- ☑ Principles of effective Shrinkage Management
 - Cooperate and succeed together (Suppliers/ Retailers/ ECR)
 - The “Hot Concept”
 - 10 practical steps to success

New Approach - ECR Hellas

“Shrinkage” is minimized only with combined effort!

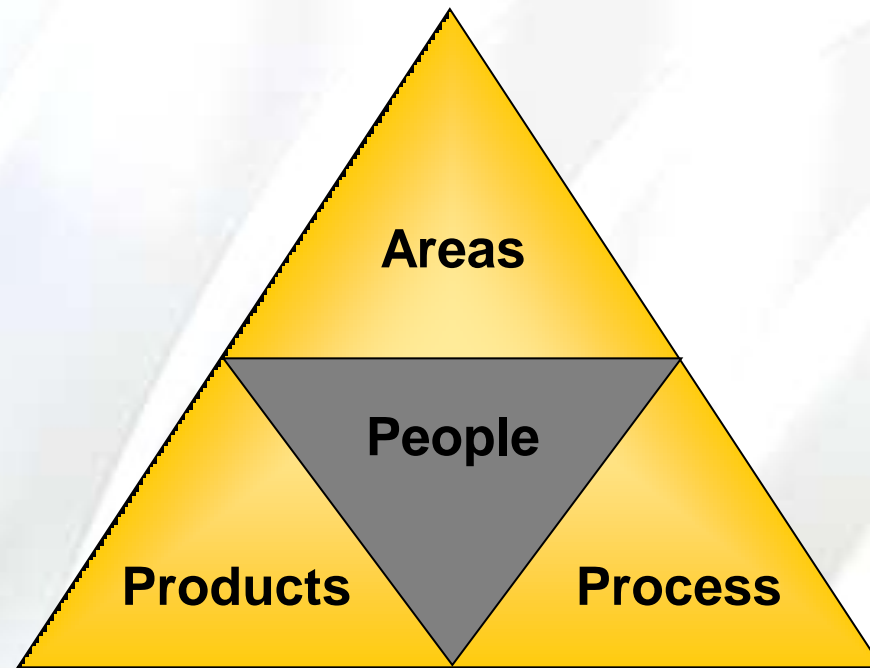
Important factor: Alignment and guidance of leadership

Multi-functional team

- Sales, Marketing & Buying
- Store manager
- Logistics & Distribution
- Security manager
- Internal control



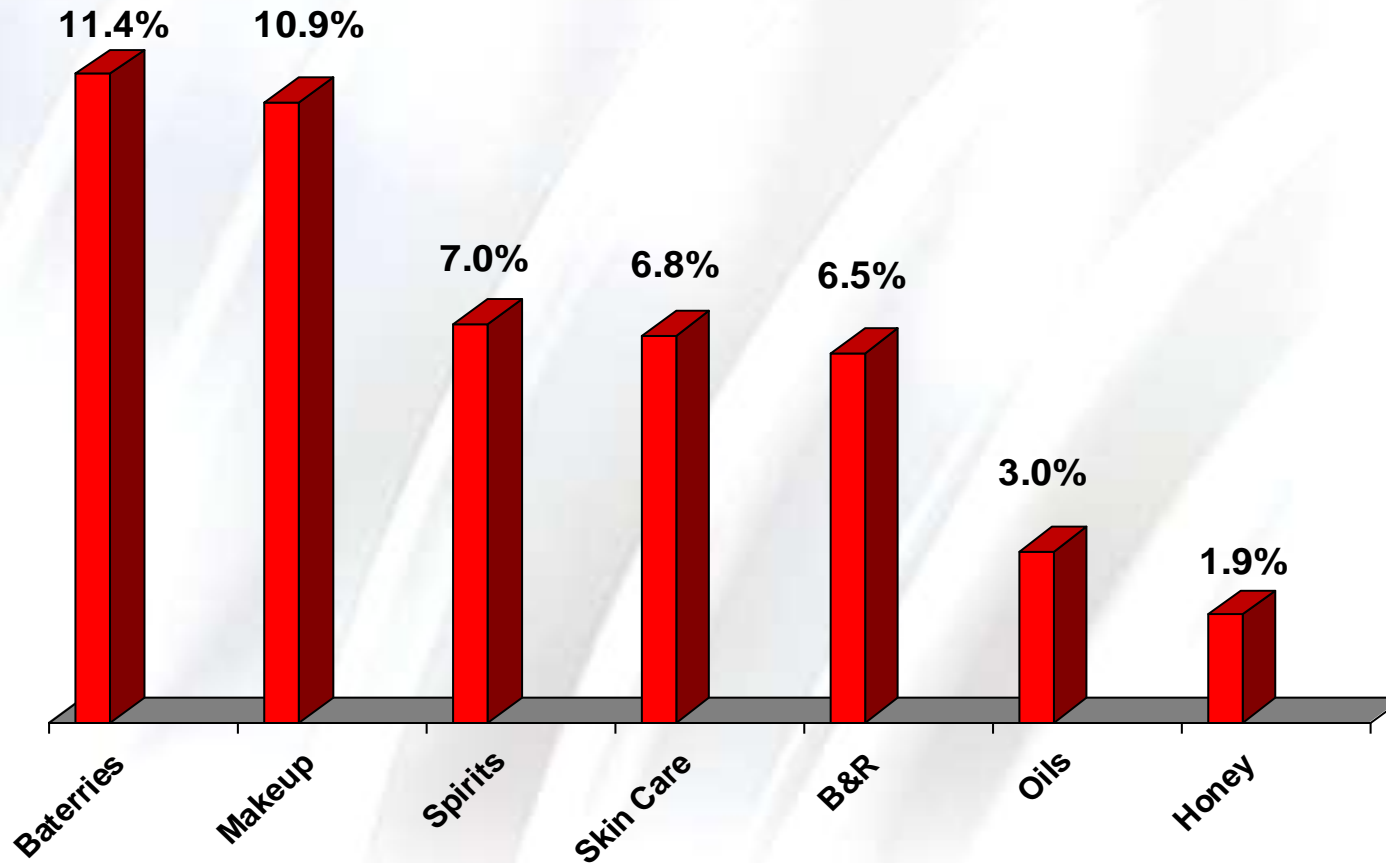
The “Hot Concept”



Hot = High risk

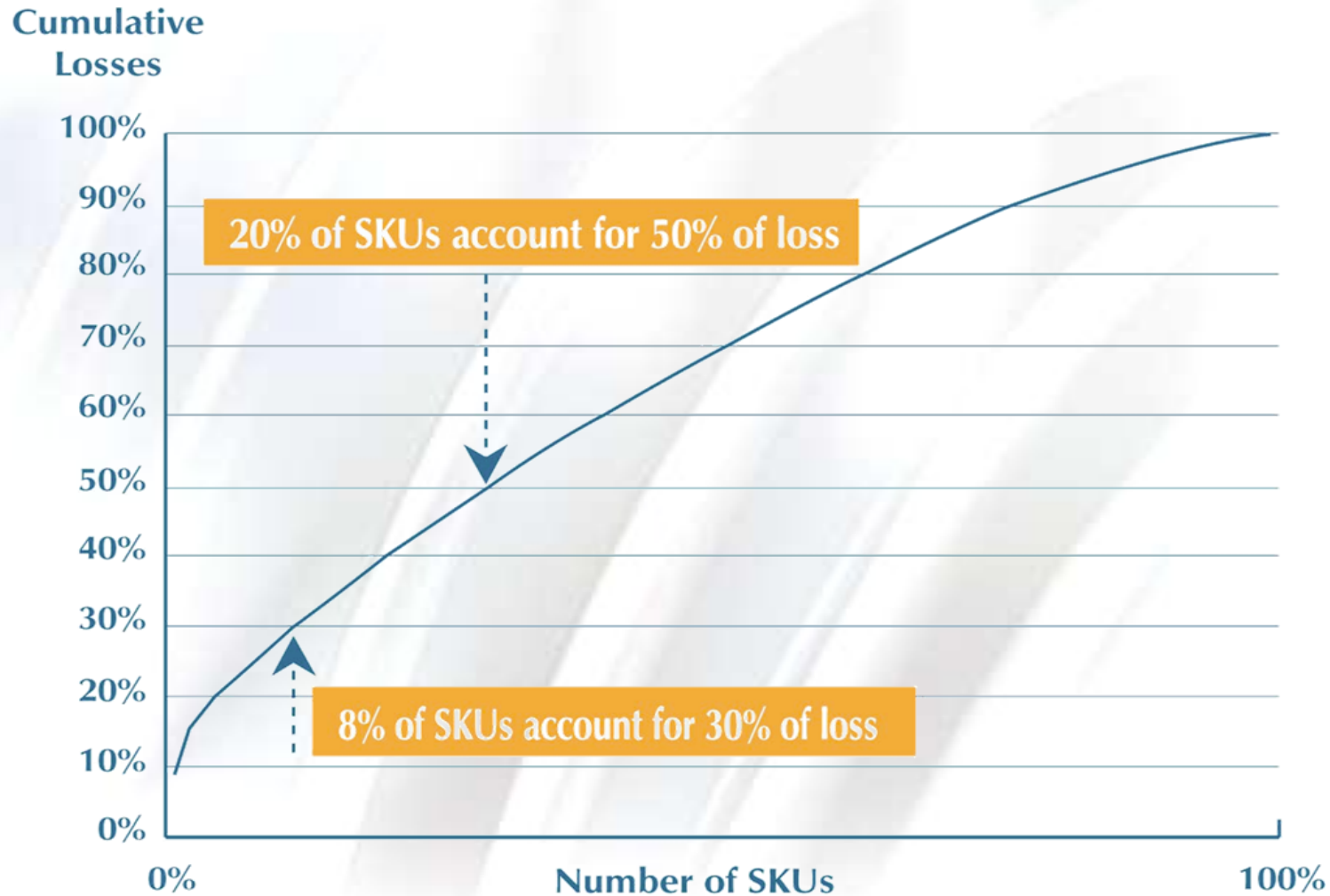
“Hot” Categories

We focus on Hot Categories



ECR Hellas Data. Maximum shrinkage % per category (2008)

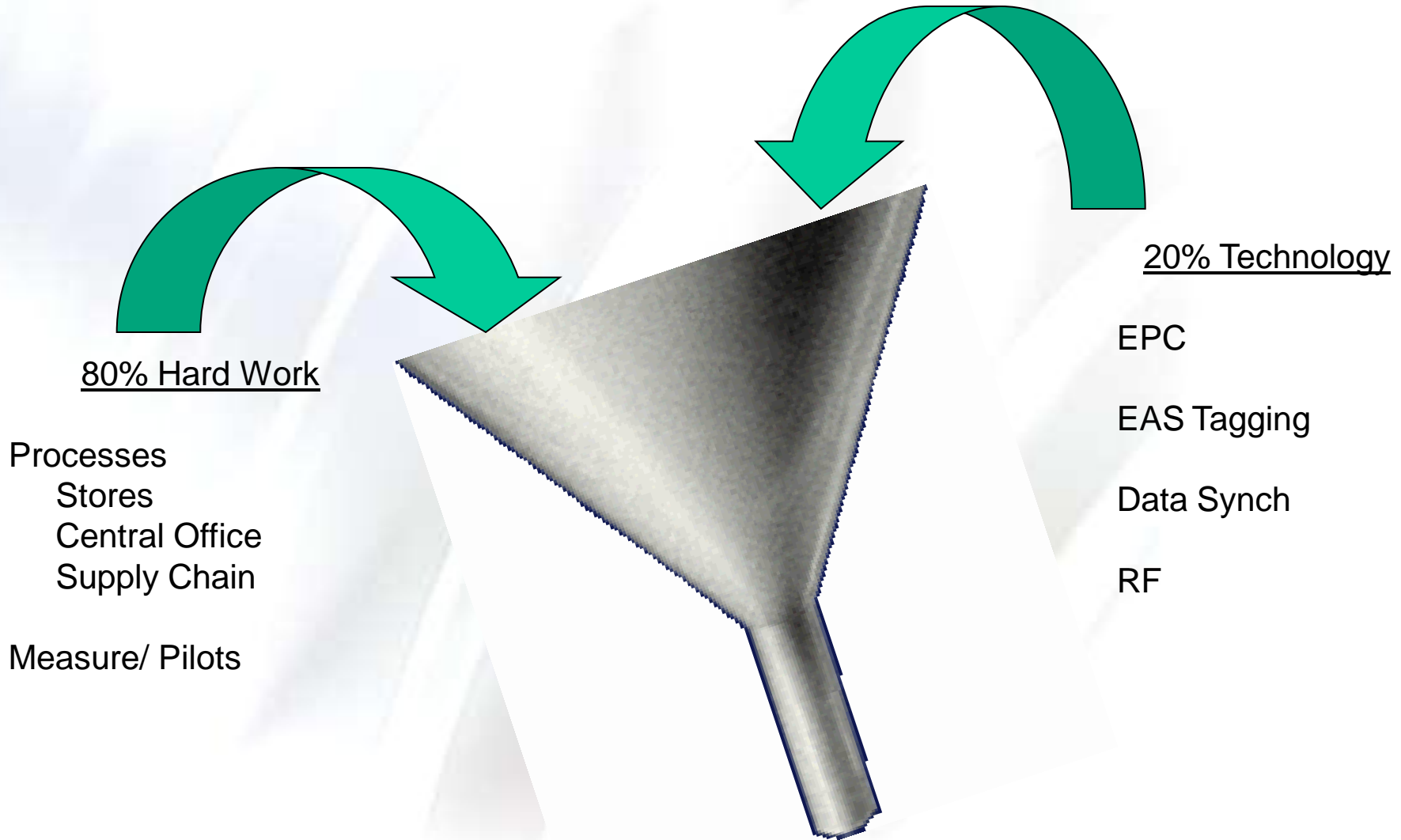
“Hot” Products



10 Steps to Solution

<u>Actions</u>	<u>Results/ Targets</u>
Shrinkage Champion	<i>Create responsibility/ ownership/ priority</i>
Secure Deliveries	<i>Split hot products based (high risk)</i>
Check Deliveries	<i>Resolve differences / update system</i>
Secured backroom	<i>Hot products locked in specialized area</i>
In store placement	<i>Hot categories' increased visibility</i>
Secure products	<i>Evaluate technologies (RF, RFID, Safer Cases, tags)</i>
Optimum replenishment	<i>No OOS. Optimum stock in store</i>
Regular stock-count	<i>Continuous focus on hot categories</i>
Enhance personnel awareness	<i>Include personnel in whole process. Target Store Managers</i>
Analyze	<i>Scorecard. Continuous improvement of processes</i>

Don't expect technology



Increase Sales & Profit

Other Countries' Results

Organisations	Location	Results
Tesco	UK	\$195 million annual savings
Tesco & P&G	Hungary	- 74% losses + 288% sales
B&Q & Plasplugs	UK	- 50% losses + 33% sales
Feira Nova & Danone	Portugal	- 45% total shrink
Ahold & sausage suppliers	Poland	- 42% losses
Sainsbury's Spirits category	UK	- 40% losses + 10% sales
Sonae & Colgate Palmolive	Portugal	- 29% losses
Sainsbury's & Menzies	UK	- 25% losses + 10% sales

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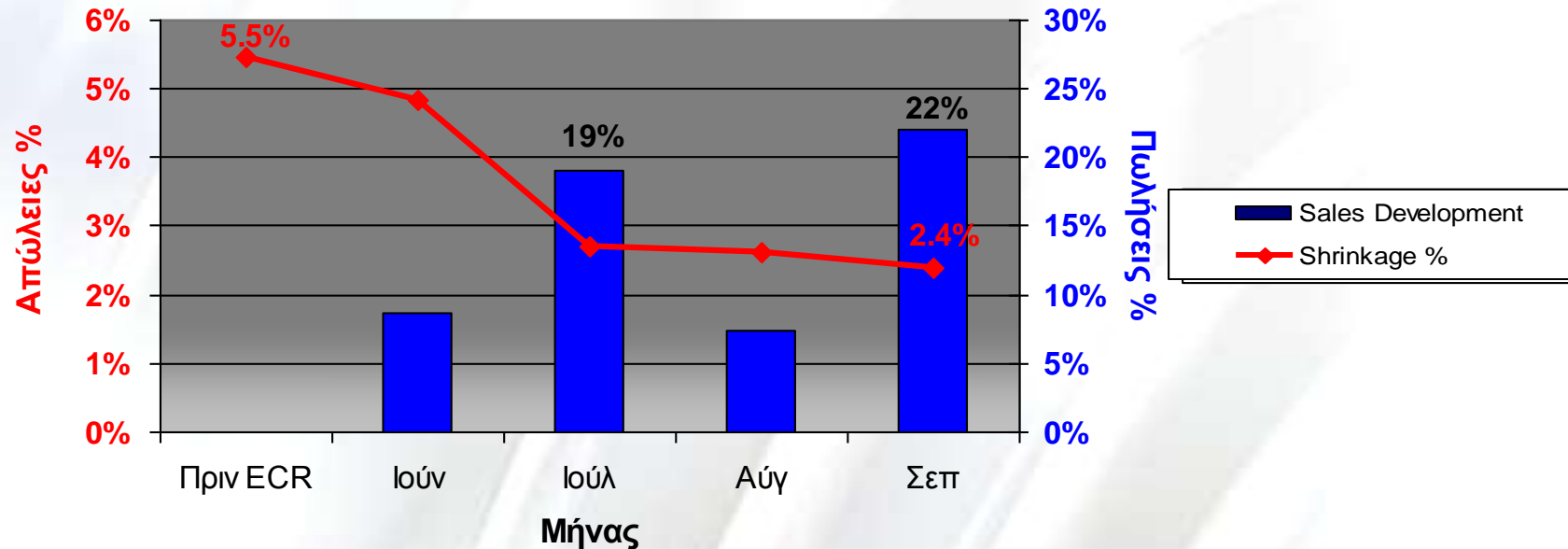
Teams – Pilot Tests

Category	Retailer	Supplier
Spirits	<p>Λορέτζο Πριέρο</p> 	<p>Βασίλης Ρωμανός Γιάννης Ποντίκης Χρήστος Μωράκος</p> 
Make up	<p>Στέφανος Ξενουδάκης</p> 	<p>Λεωνίδας Καραδήμας</p> 
Blades & Razors	<p>Γιώργος Καβαδίας</p> 	<p>Αλέξανδρος Βαξεβανέλλης</p> 

Teams – Pilot Tests

Category	Retailer	Supplier
Skin Care	Ανδρέας Τσόγγος 	Γιώργος Παπαδόπουλος BDF ●●●● Beiersdorf Hellas A.E.
Batteries	Φίλιππος Σαλίμπας 	Φώτης Μικές Ειρήνη Γούστη Energizer Ελλάς ΑΕ 
Oil	Γιώργος Πολυζώης 	Ανέστης Δεστούνης 

- Duration May – Sep 2008
- 3 Pilot Stores
- 15 “Hot” Skus
- 10 ECR Steps
 - Anti-shrinkage champion (Store Mgr)
 - Secure deliveries & Backroom
 - RF Stickers (& Antennas). Cameras
 - Train personnel. Increase awareness



- **Sales:** Increase **+22%**, due to focus & minimizing OOS
- **Shrinkage:** Reduction by **55%**. In one of the stores reduction by **75%**

Batteries



- Duration April – Dec 2008
- 2 Pilot stores
- 2 Control Stores
- 4 “Hot” skus
- 10 ECR Steps
 - Anti-shrinkage champion (store manager)
 - Secure deliveries
 - Locked back room
 - Anti-shrinkage hook

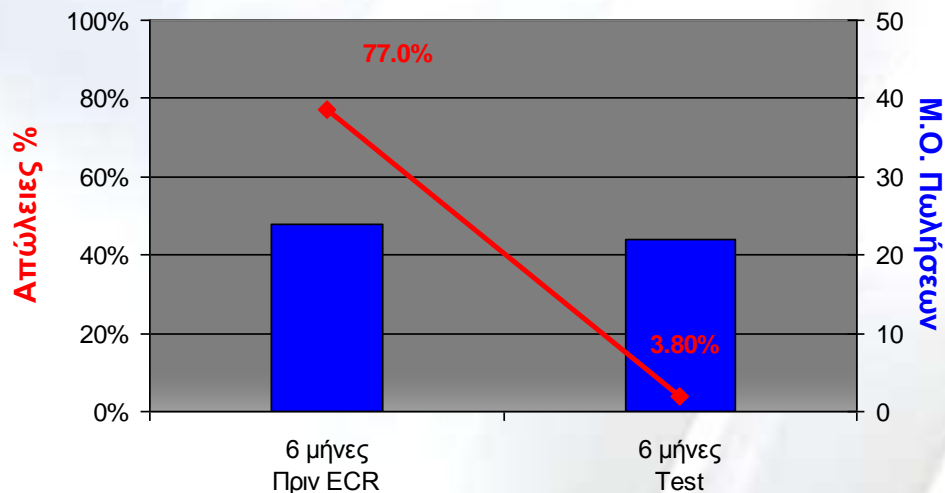
Batteries



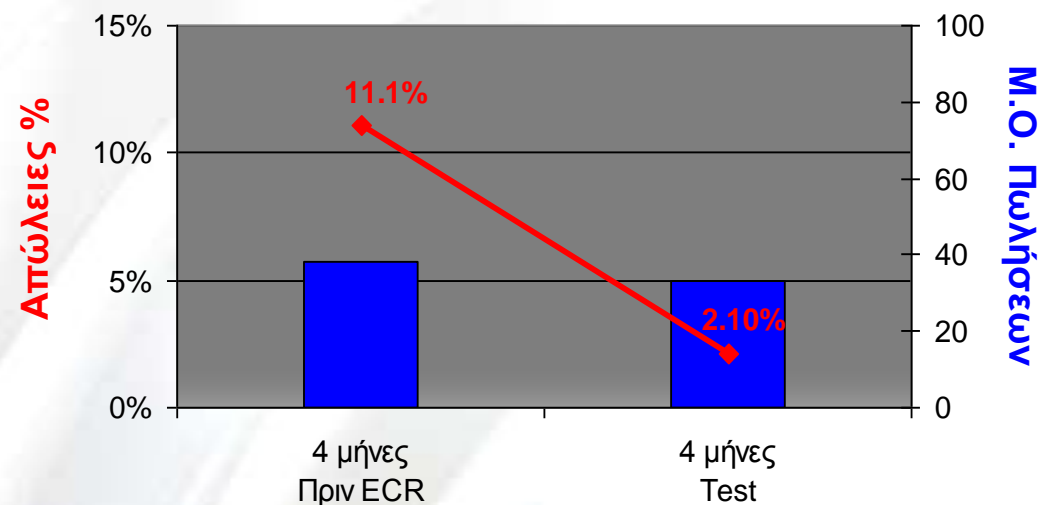
Energizer Ελλάς ΑΕ



Κατάστημα Πλ. Αττικής



Κατάστημα Μελισσίων



- **Sales:** Sales were not affected (were already open)
- **Shrinkage:** Important reduction by **80-90%** while in control stores (with no process improvements Control) we faced increase
- Anti-shrinkage hook destroyed during first weeks

- Duration September – December 2008
- 2 pilot stores
- 9 ECR Steps
 - Anti-shrinkage Champion (Store Mgr)
 - RF soft tags (& Antennas)
 - Cameras and Security
 - Locked area in backroom
 - Personnel training and awareness



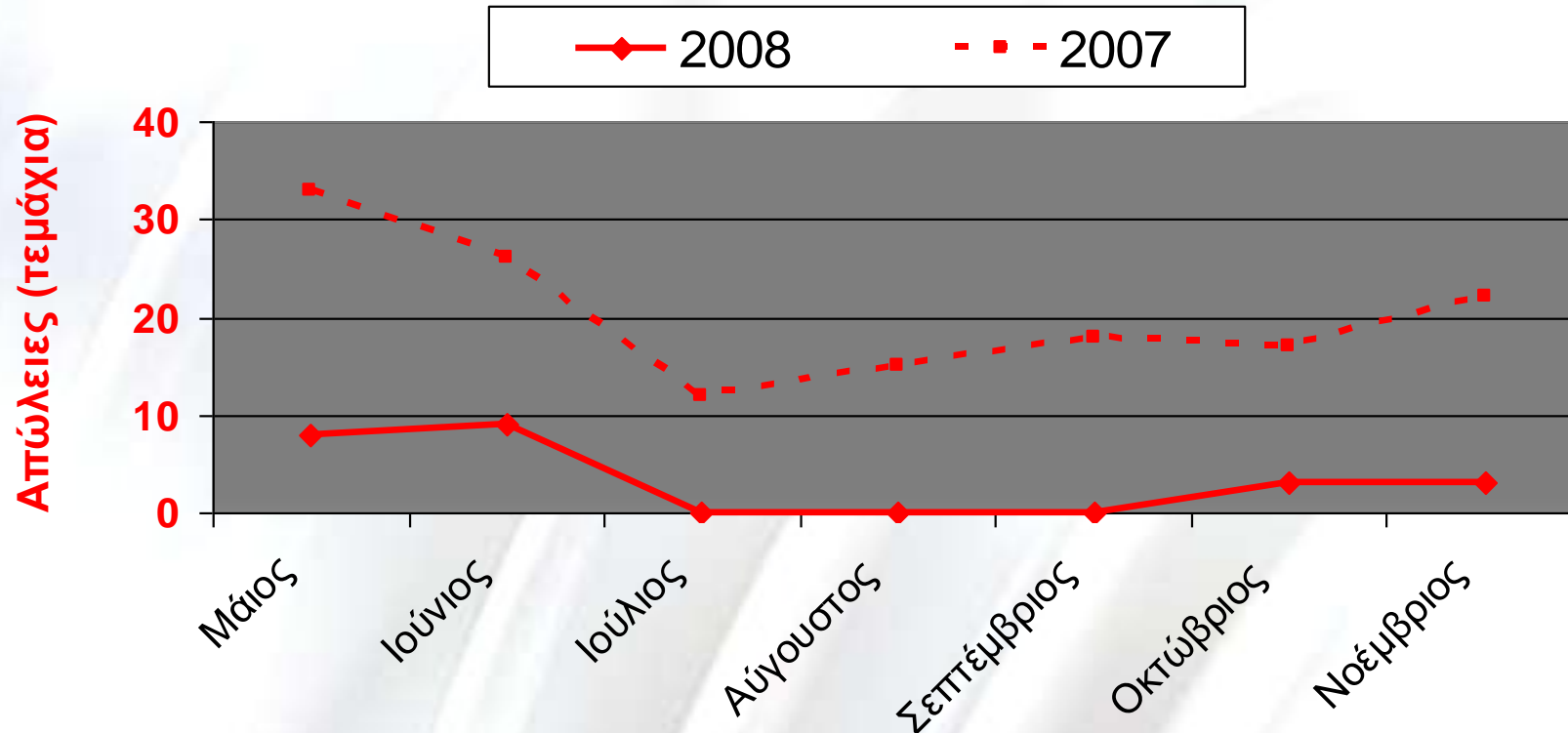
- Processes update increased focus by personnel
- Important shrinkage decrease by **65%**
- Even further decrease after test to **0.8%**
- **Retailer after test decided to invest on a security manager**

Spirits



- Duration May – October 2008
- 2 Pilot Stores
- Focus on premium skus
- 8 ECR steps
 - Anti-shrinkage champion
 - Anti-theft bottle caps. Cameras
 - Locked area in backroom
 - Personnel training

Spirits



- **Shrinkage:** Very important average reduction by **85%** in the 2 stores during pilot test

Make up



- Duration April – Dec 2008
- 1 pilot store
- 10 “Hot” skus
- 10 ECR steps
 - Anti-shrinkage champion
 - Secure deliveries and locked area for monitored products
 - Regular replenishment
 - Anti-theft hooks
 - Personnel training

Make up

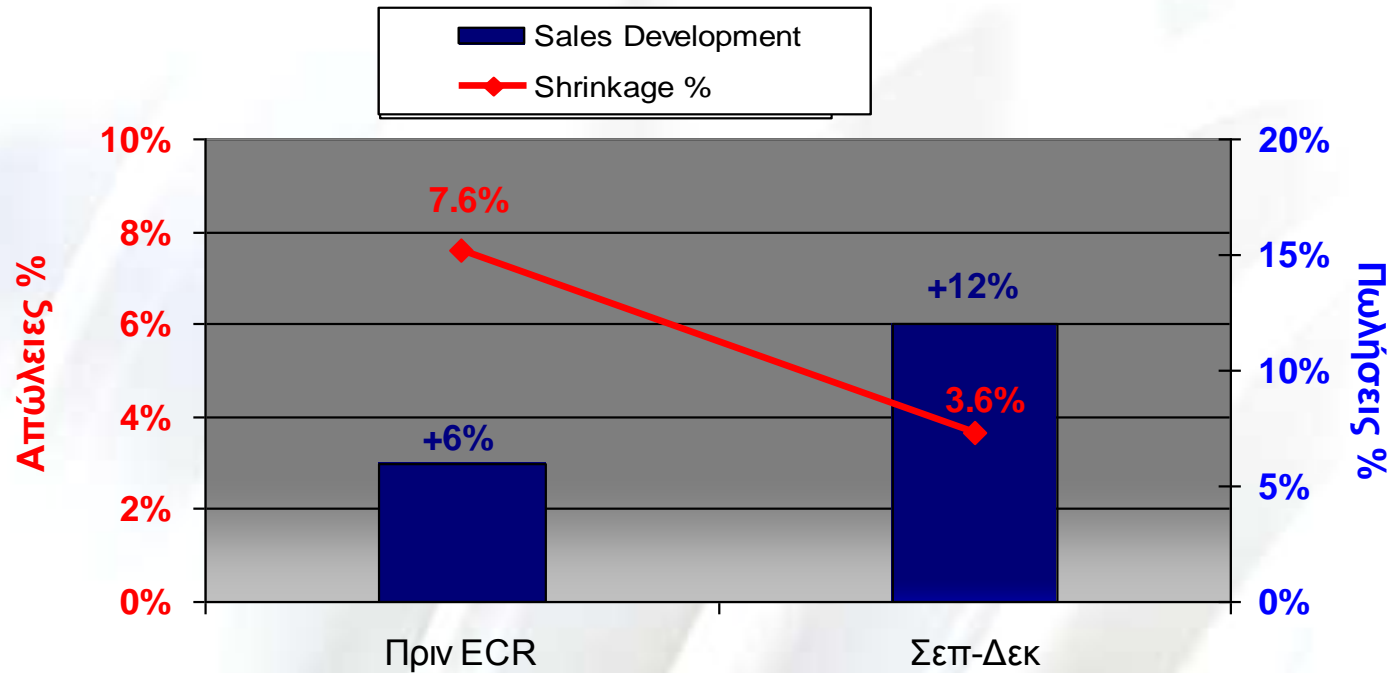


Βασιλόπουλος
...και του πουλιού το γάλα!

L'ORÉAL
PARIS



Make up



- **Sales:** Important increase of sales by **+50%**, due to the focus and effective replenishment (minimize OOS)
- **Shrinkage:** Reduction by **55%**

- Duration June – November 2008
- 1 Pilot Store
- Open sales for all products
- 7 “Hot” skus
- 10 ECR Steps
 - Anti-shrinkage champion (Store Manager)
 - Anti-theft Safer Cases with RF technology (& Antennas)
 - Locked area in back-room (after 3rd week of test)
 - 2 ways of measurements & evaluation
 - Personnel training. Increase awareness

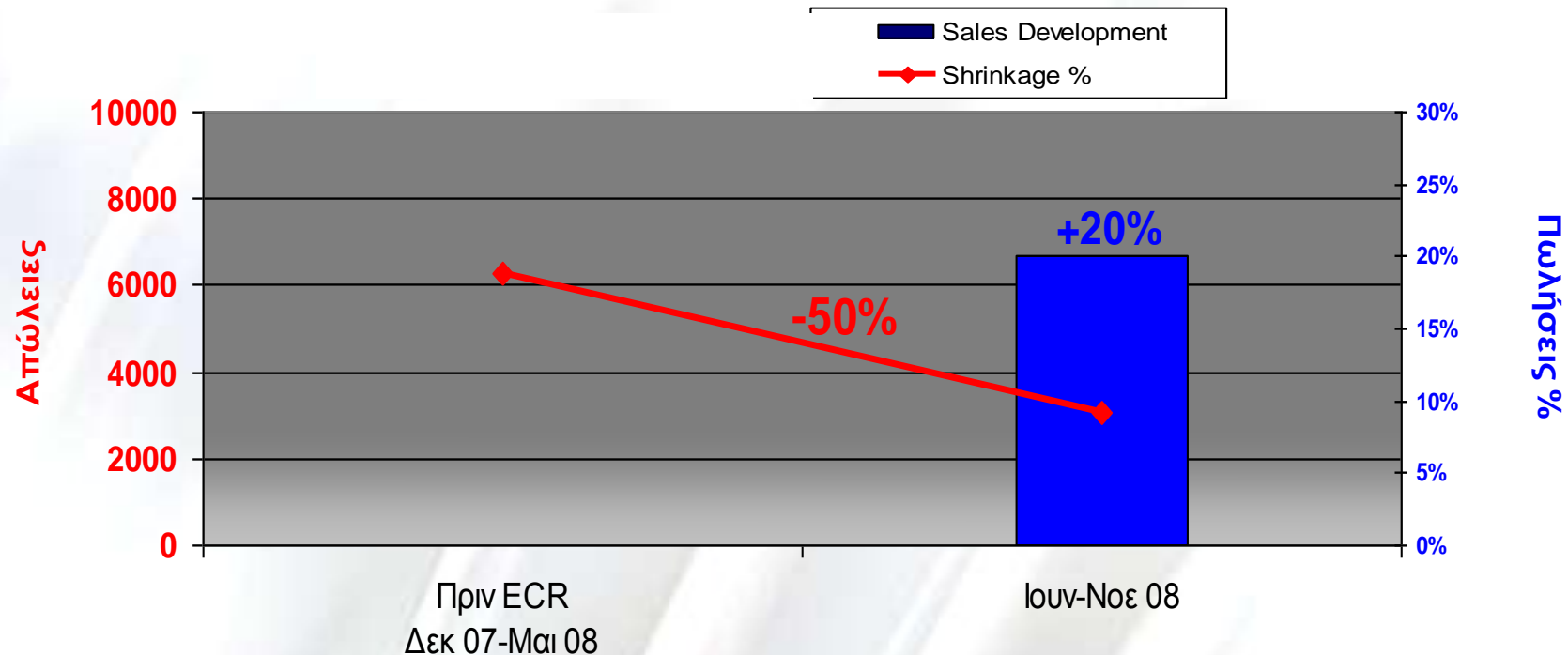
Blades & Razors

Carrefour 





Blades & Razors



- **Sales:** Important increase by **+20%**, due to open sales in all category products (systems & disposables)
- **Shrinkage:** Important reduction by **50%** with key step implementation of locked backroom (for hot skus) after 3rd week

Shrinkage next day...

- ✓ **Category value increase**
- ✓ **Shrink reduction** is one of the main opportunities for retailers (**net profit 1.3-1.8%**)
- ✓ We reduce shrinkage by **reducing the opportunity** across the supply chain. We work as a multi-functional team
- ✓ We evaluate **internal processes** and we focus on main factors of shrinkage
- ✓ We increase **personnel awareness** and ownership with continuous focus and trainings



Thank
Thank
You!
THANK
You

