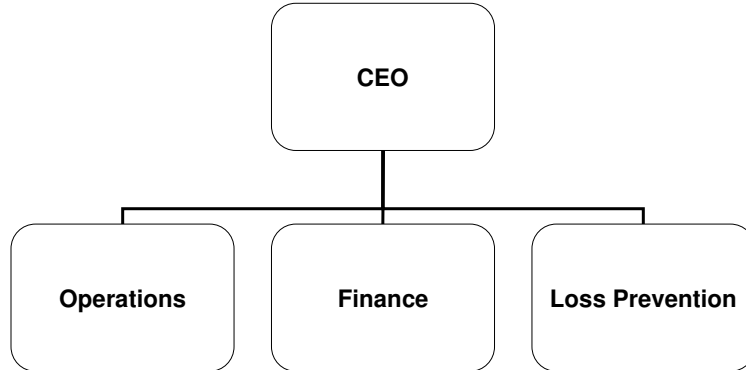


Successful Shrinkage and Loss Control Strategies You Can Use

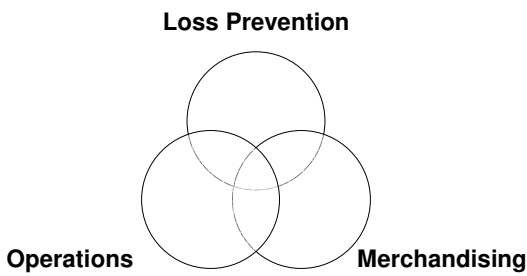
Harold Hodnett
Director of Loss Prevention and Internal Audit
Kerr Drug, Inc.

**Where does the responsibility for
Loss Control lie in your organization?**

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Loss Control lie in your organization?**



**To be successful, Loss Control has to
be a part of all departments!**



“Communication gets results!”

- Poor communication gets poor results
- Better communication gets better results

How do you improve?

How do you improve?

- Must be supported, starting at the top

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- Be honest

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- Set feelings and blame aside

How do you improve?

- Must be supported, starting at the top
- Be honest
- Set feelings and blame aside
- Ask: Why? Question everything!

Inventory Shrinkage

- How is it defined?

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Inventory Shrinkage

- How is it defined?
- Inventory shrinkage is “unaccounted for loss”
- Varies from 1% to 5% of sales, according to type of operation
- Is an EXPENSE item that can be controlled

Inventory valuation

- Cost or retail
- Advantages & disadvantages of each

Causes of shrinkage

Causes of shrinkage

- External theft

Causes of shrinkage

- External theft
 - Shoplifting
 - Price switching
 - Vendor issues

Causes of shrinkage

- External theft deterrents
 - CCTV / video monitoring
 - Electronic Article Surveillance / security tags
 - Exceptional customer service
 - Well trained employees

Causes of shrinkage

- Internal theft

Causes of shrinkage

- Internal theft (employees)
 - Sweethearting
 - Discounting
 - Personal consumption or diversion
 - Paperwork fraud

Causes of shrinkage

- Internal theft deterrents
 - Screening / hiring process
 - Training and indoctrination
 - Sincere follow up and communications
 - CCTV / video monitoring
 - Exception reporting
 - Training of Management
 - Climate of respect and honesty!

Causes of shrinkage

- Accounting / paperwork errors
 - Pricing discrepancies
 - Accounts payable issues
 - Billing issues
 - Accountability over merchandise

**To reduce shrinkage, you must
find the root cause!**

When does shrinkage occur?

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- Point of sale?

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- Point of sale?
- Delivery to the store?

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- Point of sale?
- Delivery to the store?
- Receipt at the warehouse?

When does shrinkage occur?

- Point of sale?
- Delivery to the store?
- Receipt at the warehouse?
- The buying process!

How “buying” affects shrink

How “buying” affects shrink

- “Cradle to grave” strategy

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- Pricing integrity

How “buying” affects shrink

- “Cradle to grave” strategy
- Pricing integrity
 - UPC / scan data
 - True actual cost
 - Effect of price changes or deals

How “buying” affects shrink

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- Replenishment / secondary source

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- “Cradle to grave” strategy
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- Markdowns / write downs / obsolescence
- Disposition / returns / destroy

What resources are available to help?

- National associations
- Regional associations
- Peer audit groups
- External sources / consulting groups

Questions?

- Feel free to contact me!
- hhodnett@kerrdrug.com
- Thank you!