

Shrink control Prosperity or Bankruptcy

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Turning **Shrink** into **\$\$\$CASH\$\$\$**

Stop underperforming now

Financial strength matters

Start running *your* store – not your competitors

It's a pennies business 

2016 net profit before taxes: 0.98%

Source: 2017 Independent Grocers Financial Survey



What is shrink?

Shrink

/SHriNGk/

noun

1. an allowance made for reduction in the earnings of a business due to wastage or theft.



What is shrink?

GIG
Going in gross

minus **Shrink** =

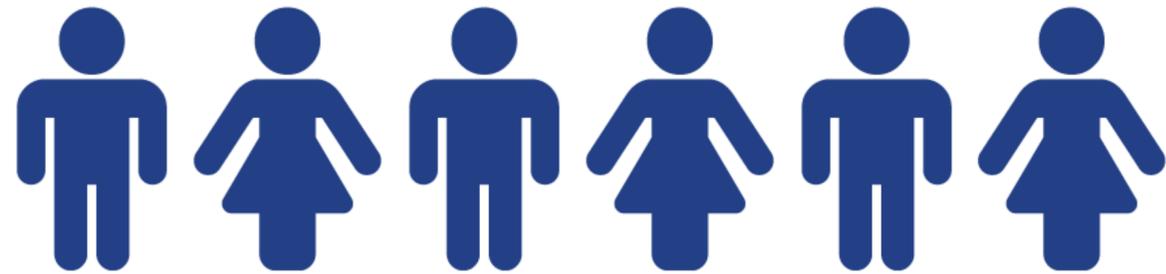
Actual
Gross profit as recorded



Who is the best at shrink management?

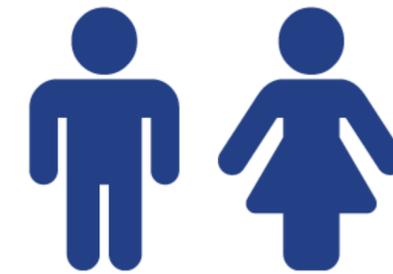
Most Independents

3.2%



Best in class Independents

2.1%



vs.

Why the difference?



How do they do it?

Acknowledging shrink to curb shrink

Implementation of a shrink program

Discipline, **discipline**, **DISCIPLINE**

Improve on results and innovate

Commitment is a must



Shrink Programs

Independents

25%

Shrink Programs in place

An after thought

vs.

Chain Stores

95%

Shrink Programs in place

A fundamental



How do I get started?

Acknowledge the problem

Conduct a shrink study

Develop a reasonable plan

Assemble a team

Dedicate the resources

Solicit help from professionals

Implement the plan

Maintain discipline

Measure results

Continue tightening the noose



A problem does exist

Giant gap between GIG and statement gross

Cash flow trending downward

Paper profits vs. cash in bank

Lack of technology

Self-motivation

Are my employees motivated?

Shrink = Cash



Which method should I use?

At cost

50%

vs.

At retail

50%

Things to consider:

At cost: Benefits the accounting process

At retail: Increases motivation

Signifies importance to *your* bottom line

Usually measures lower shrink



The Retail Method at a glance

We tend to think in retail numbers

Implementation is easier

Overall measured at 2.4% (average)

Friendly to backdoor programs

Friendly to front-end systems

Employees tend to “get it” more quickly

It's easy to get started



Measuring shrink today: Global vs SKU

One third of Independents can track by SKU – 8% overall

These Independents measure at about 2.2%

With full shrink programs in place, 2.1% average

SKU measurement:

Requires investment

Selling existing employees

Requires discipline

Ongoing attention to detail and adjustment



Independents must shift gears ASAP

I.T. is more important than ever

The Retail Battlefield continues to grow (Kohl's)

Now is the time to act – *don't wait*

Improve your operations or be eliminated from the Battlefield

Don't be a "Dependent Independent"

Your wholesaler is not going to save you

Empower the next generation



Tackling Food Shrink



Tackling food shrink

Enable backdoor receiving by SKU

Ensure departmental waste programs are in place

Maximize any reclamation programs

Item rationalization every six months

Recycle where tasteful

Don't forget: **BALE YOUR CARDBOARD**



Grocery and Non-Foods

Measured to 1.7%...hmm I wonder

Reclamation vs. Markdowns

SKU reduction and movement reports

Truck-to-Shelf is growing

Inventory turns means better cash flow

Become aware of the hidden costs of handling

Open coding – who benefits?



Meat department

Meat: 4.0%
Seafood: 7.6%

Cutting tests and base retail pricing

Full merchandising and fresh case
item count

Cooler temperature and product
shrink

Can you afford your weekly ad
shrink?

Bonus plans work!

The barrel is your enemy

Do you have a sanitation program in
place?

Mechanics of receiving and
concealed damage

The value of labor

Tracking shrink and pulls – what's the
plan?



Produce department

6.2%

More SKUs than ever

Cull in the back, Cull in the front

Bacteria in the cooler...just why?

Tracking shrink and pulls – what's the plan?

Rack merchandising and the “Bounce Effect”

To mist, or not to mist?

Clean your coils and check your temperatures frequently

Can you afford your weekly ad shrink?

Bonus plans work!

Salads and salads – SKU rationalization



Deli, Bakery, and Meal Solutions

Deli: 5.0%
Bakery: 8.5%
Meal Solutions: 8.4%

Inventory turns matter

Multi-purpose and cross-merchandising

Baking and prep schedules

A changing inventory

Markdowns are not fresh

Serious shrink discipline is a must



Tackling Operational Shrink



Tracking operational shrink

Complacent retailers will eventually go away

Timely financials absolutely matter – “The Daily Snapshot”

Expenses can be reduced – **toughen up**

You’re not crazy, but you need to seek professional help

Outside shrink analysis and shrink audits

Do the unthinkable: manage expenses

Outsourcing will save you money

When was your last utility audit?



Internal shrink and theft

Top line manipulation

Dealing with negative tenders

Sweethearting

Scan accuracy

Double ad means double shrink, so stop it

Front door security

Better conditions or more bodies?



Your friends, “the vendors”

The product push and your money

Here’s a sample: the big “set up”

Forward buy and the real value

Carrying cost of inventory

Paying from invoice or scan data

Review check-in procedures. Why not?

Close the door and keep it closed

A deal for everyone – except for you

DSD systems work *for* you



Yes, even the warehouse

Is your procedure the best you can do?

The Cob... You get it all back!



Concealed damage, swell allowance, reclamation

Dependent vs. Independent

Get involved and be a part of things

Manage your resets – it's *your* store!



Advertising and merchandising

The slow death if ignored

Usually not measured

Is my ad “too hot?”

If you don't participate, you can't complain

\$500 loses \$5000. Your share?

Merchandise against the ad

Roll out those price reductions

Every good clerk has these

Fresh shelves are healthy shelves



Faulty pricing programs



Competitive vs. Lazy (Zone 2)

Deal appreciation

Private label against the national brands

Hi-Lo vs EDLP or hybrid program

Narrow the gaps and find the pennies

Price integrity with shoppers (line items)



Your bill-in gross. Follow the dollars

Act fast on all changes



Where to Find Help



Where can I get help?

Shrink analysis project or audit

Your wholesaler

Front-end and backdoor providers

Benchmarking tools for retailers

Shrink analytic applications

Best Practices check up

Supermarket Consultants

Independent Grocers Financial
Survey

Join a share group

Ask Joe



Today's Takeaways



Today's takeaways

1. Shrink analysis and audit is step one
2. Develop a comprehensive shrink plan
3. Demand accurate, timely financials
4. Understand the gap between GIG and Statement Gross Profit
5. Prioritize and implement the plan
6. Maintain systems and store discipline
7. Invest in your people and technology
8. Monitor your progress and meet your goals
9. Do not hesitate to get professional help
10. It's your money. **Shrink = Cash**



Today's takeaways

Shrink = Cash



Closing Q&A

How can we help you?

Where and when can I schedule an audit?

Where can I find shrink resources?

Anything else

