

Industry Loss Reduction Team (ILRT)

*A Collaborative Roadmap
for Loss Reduction*

Part I - Guidelines on Source Tagging

January 2003

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Acknowledgement

We wish to acknowledge the efforts of our team who worked in close collaboration to address this long-standing industry issue. The team's effort to develop a meaningful and pragmatic solution is appreciated.

Team Membership

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|-----------------|---|---|
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It must be noted that ILRT (Industry Loss Reduction Team) recommendations are **not** binding on individual retailers or manufacturers. However, this white paper is intended to provide a collaborative road map to enable a win/win outcome for retailers and manufacturers on this difficult issue.

Section I - Background/ILRT Team

Background:

The Challenge

Theft and loss have long been challenges for retailers and manufacturers alike. They inhibit progress towards our goal to properly serve customers by having the goods they want readily available for sale. Over ten years ago, the concept of EAS (Electronic Article Surveillance) tagging was developed as a solution to the problem, allowing the placement of security tags on theft-prone skus (stock keeping unit) to reduce loss. However, since its inception, EAS source tagging has struggled to gain broad-based acceptance.

There were many issues, some real and some perceived, with the source tagging solution. The issues, coupled with the emotional nature of the subject, made this a very difficult and often polarizing problem for both retailers and manufacturers. In many channels of trade, it has been nearly impossible to make any real progress because of the opposing views on EAS source tagging. These guidelines address RF & AM but can apply to any technology. Below are some of the key issues vocalized by manufacturers and retailers over the years.

Manufacturers

- Because there is no technology standard, every retailer asks for a different set of skus.
- We will have to maintain three separate inventories, which will reduce production line speeds.
- Who will pay for the significant investment and ongoing costs for tagging?
- If half the theft is by the retailers' employees, it's the retailers' problem. Why should we tag?
- Even if I tag it, they will still keep it locked up, making it more difficult for consumers to buy it.
- False alarms and failure to deactivate diminish system performance and create shopper dissatisfaction

Retailer

- We can't afford to carry the skus without tagging them, so we will start de-listing them.
- We will be able to open merchandise, if you source tag it.
- You carry multiple inventories now, special putups etc.
- You have the letter from our CEO, isn't that enough.
- It's the technology we chose and it's just a packaging issue after all.

The impetus behind the EAS source tagging was often the retailer's loss prevention organizations, when, in fact, the issue is really a supply chain problem. Also, the process failed to address how to prevent overall loss from other non-retail sources, including piracy, diversion counterfeiting, etc.

Attempts at Concensus

There were a number of efforts undertaken to work through the issues, none of which succeeded. Here is a short list of the efforts:

- NACDS (National Association of Chain Drug Stores)/Arthur D. Little study designed to develop a roadmap towards wide spread EAS Adoption and source tagging.
- NACDS (National Association of Chain Drug Stores)/Battelle Memorial Institute - to develop a set of performance criteria to measure the performance of various EAS technologies in both retail and manufacturing environments.
- Top-to-top meetings
- Sensormatic Source Tagging Council
- Checkpoint Users Group
- CPMA (Consumer Product Manufacturers Association) - attempt at developing a universal technology solution

These attempts failed because they did not sufficiently address the legitimate issues of the parties involved and they never addressed a holistic solution to the problem.

Formation of the ILRT

- A meeting was held in Chicago (July 2001) between CVS/Walgreen's and the C.P.M.A. companies (P&G, Johnson & Johnson Sales & Logistics Company, Gillette, Kodak). The purpose of the meeting was to evaluate the results of a test conducted in CVS/Walgreen's stores of the proposed C.P.M.A. single pedestal solution and to discuss next steps. During the meeting it was clear very quickly that, while the test was successful, the cost of implementation was a huge barrier.
- All those at the meeting agreed that the problem was much more of a supply chain issue than a loss-prevention issue, and if we approached it as we have other supply chain issues (i.e. fill rates, out-of-stocks etc.) we may be able to find a solution together.
- The original premise was to call together a small group of retailers and manufacturers (Johnson & Johnson Sales & Logistics Company, P&G, Unilever, Glaxo, Pfizer, Wal-Mart, Gillette, Kroger, Kodak, Target, CVS and Walgreen's), representing various channels of trade in the consumer package goods world, to explore the idea further. The initial meeting had very simple goals:

- Determine if the larger group saw the same potential as the group that met in Chicago
- Decide if the retailers and manufacturers could work openly and set a frame work for discussing and solving the issues, and
- Agree on realistic near-term goals and timetables

The first meeting was successful and it was decided the group would be broadened to other retailers and manufacturers so broad-based adoption would be more likely.

The initial goals of the ILRT were simple, straightforward and focused on finding solutions to this long-standing industry issue.

Goal

- To start the discussion between retailers and manufacturers to develop a new approach to the issues around source tagging to enable rational, meaningful, and cost effective progress.

Who

- Cross-section of major retailers, both AM and RF users, and suppliers representing key product categories.

Purpose

- Work as a group to develop a common platform so that barriers to success can be openly discussed and appropriate solutions found.
- Build a decision model that takes into account all the issues of both the retailer and supplier.
- Work through source tagging issues as a group and propose solutions and recommendations as a best practices model for the CPG (consumer packaged goods) industry and other channels of trade.

Further detail on the specific goals and proposed solutions follows in this document. As a group, we believe we have found an effective and reasonable set of solutions to this long-standing industry issue and fully endorse these recommendations. Further, as a group, we believe these guidelines can be used by any industry segment and encourage other segments to form an Industry Loss Reduction Team to deal with there specific challenges.

Section II - The Problem Defined

Recognizing that the scope of the problem transcends any single solution, it is obvious that progress in reducing industry losses requires focus on one solution area at a time. Although the ILRT plans to address a series of solution areas, the initial effort will focus on anti theft solutions and particularly EAS tagging.

EAS is not a “silver bullet,” but it is an element of the solution set for certain categories. EAS has been shown to have an impact on reducing retail theft, a major area of industry losses. However, it is also clear that EAS tagging is expensive and inconsistently used throughout the industry. If EAS is to become a more effective tool to reduce theft, the following problems have to be addressed:

- **Direct Costs** - How can the direct costs of tagging be reduced and appropriately shared by both retailers and manufacturers?
- **Indirect Costs** - Currently manufacturers have significant production and inventory costs associated with tagging, which reduces industry profit and increases consumer costs. Manufacturers who source-tag carry three inventories (i.e., inventory for RF such as Checkpoint, for AM such as Sensormatic, and for open stock without tags). In addition, production lines are interrupted each time they switch to another type of inventory, driving costs up even further. How can these costs be eliminated or reduced?
- **Identification of High-Loss Items** - There is no list of consistently identified items for which tagging could provide an effective theft-deterrent. Can high-theft items be identified and prioritized across all retailers?
- **Standards** - No standards exist to determine which products should be tagged, to make EAS tagging most cost-effective. Can a widely accepted template be developed that will provide guidelines to determine which products should be tagged and which should not?
- **Criteria** - There are other effective methods to deter theft that may be more appropriate for some items or categories. These methods might include packaging and fixturing solutions or even behind the counter (BTC) placement. Can criteria be established that will help determine when other retail security measures eliminate the need for EAS tags?
- **New Items** - How can costs associated with theft-deterrence be integrated into the early stages of new-item development?
- **New Technology** - The group understands the potential impact of new technology, particularly the Auto-ID program being developed at MIT (Massachusetts Institute of Technology) and other universities with the support and funding of many manufacturers, retailers and other companies. How will development of this technology impact current methods of EAS tagging?

The next sections will focus on addressing these questions.

Section III - The High Loss Sku Identification Process

Agreeing on which current skus need an anti-theft solution was difficult, as the item already has an established cost structure and skus differ from retailer to retailer. Therefore, the ILRT quickly realized that it would be even more crucial to work together to determine which new, high-risk skus should be equipped with an anti-theft solution like EAS before they hit store shelves. Deciding early in the product development cycle whether an anti-theft solution is needed allows integration with brand financials and manufacturing systems at the right time.

There are generally two types of new items. First is a new-to-the-world item or category, where no similar item has existed before (e.g., Crest White Strips). Second is the introduction of a new item to a line or category, when the item itself is not truly new. These introductions include relaunches, new formulations, size or line extensions or new promotional packaging. What they all have in common is a new UPC/EAN (Uniform Product Code/European Article Number) number.

Finally, the ILRT recognized that no matter how complete the guidelines were, a limited number of items would slip through and become a major loss problem at retail. Those situations would be contained via periodic updates of the ILRT high loss sku list, targeted not to exceed 250 skus. Guidelines on each are included in this document.

Identifying High-Loss Product - Top 250 High Loss Skus (see exhibit #1)

Background:

- Manufacturers have been frustrated by the lack of consistency across retailers when retailers ask for high-loss items to be source tagged.
- Manufacturers compound this issue by offering various sizes, colors, and strengths within product lines. This sku complexity is rarely if ever stocked by every retailer.
- This lack of consistency and complexity has limited EAS source tagging and other anti-theft solutions.
- Open discussions between manufacturers and retailers helped develop a process to identify the top 250 common high-loss skus as a baseline.
- This identification process can be used amongst a group of retailers and manufacturers within any market segment (i.e., softlines, electronics, etc.)
- Although this identification process does not address all loss issues, it is a strong baseline for manufacturers and retailers. Together with the new item guidelines, they form the basis of a valid solution.

Process to Identify High-Loss Sku's

The ILRT used the following process to identify the Top 250 High-Loss Skus across retail trade channels:

1. Identified and organized a retailer working group to provide high loss sku data and to communicate openly with manufacturers about it.
2. Each retailer used their own internal process to identify and analyze their top 250 high loss health & beauty care sku's.
3. Each retailer submitted their top 250 high-loss sku information in a required format which included: sku# /UPC code, description/size/strength. Additional information required was to complete an analysis weighting the items by thirds. The top 1/3 of the items were triple weighted, the middle third were double weighted, and the bottom third were single weighted.
4. The retailer working group then combined all lists and matched items first by field (UPC) and then by a secondary field. It was very important to have open and consistent communications between each retailer and the working group to properly work through issues with data formatting.
5. Once the list of the Top 250 High-Loss Skus for all of the retailers was complete it was formatted in an easy to read document. This document included fields for the UPC code, description, manufacturer name, each retailer's weight for the item (top, middle, bottom), the total average weighted ranking for the item, and the number of retailers having that item on their Top 250 High-Loss Sku List.

Section IV - ILRT - Loss Reduction Recommendations

Background

- The ILRT has worked hard together to find win-win, loss reduction solutions for both retailers and manufacturers, which increase consumer value.
- Longer term, the EPC (electronic product code) being developed at the AutoID Center at MIT will be of great benefit in reducing theft, counterfeiting, and providing information about each product and its location.
- Today, loss reduction efforts can be enhanced by close collaboration between retailers and manufacturers to develop solutions for high-theft items.
- Theft reduction solutions in which manufacturers can assist include EAS tagging, improved theft resistant packaging, and improved in-store fixtures.
- Each of these solutions can help reduce theft, but needs to be part of a holistic well-managed theft reduction retail system, which includes employee training, equipment monitoring, management emphasis, etc.
- Manufacturers must also determine how each theft reduction solution will impact their system as well. This would include an end-to-end cost/benefit assessment for each solution. Openly sharing this information between retailer and manufacturers will greatly help retailers to understand why manufacturers chose one solution vs. another, and manufacturers to understand the problem that exist at retail.

Recommended Current SKU Solution Set

- The ILRT focused first on today's Top 250 High-Loss Sku List across the grocery, mass, and drug classes of trade. Retailers and manufacturers need to collaborate on solutions designed to reduce theft on these key items.
- Manufacturers will need to deal with some additional complexity to help solve down stream supply system problems and retailers will need to share the costs for these solutions.
- The ILRT encourages all manufacturers to adopt an anti-theft solution for the items on the industry Top 250 High-Loss Sku List.
- A retailer's first choice to protect these Top 250 High-Loss Skus could be via an EAS tag. However, there may be some items that do not lend themselves to being tagged due to their small size or the severe system impacts (line speed reduction - new capital requirements, etc.). For these items other actions like secure packaging can be implemented which will help reduce theft.

ILRT Retail Intelligence Subcommittee

The Industry Loss Reduction Team will maintain a standing subcommittee, the Retail Intelligence Subcommittee, which will consist of representatives of the major ILRT retail members. This subcommittee will maintain the process by which items and categories of merchandise that are prone to high theft are identified. Furthermore, this subcommittee will provide suggestions for a holistic approach for anti-theft solutions such as source tagging, packaging, or fixturing or supply chain to reduce such theft. This will include a process map to guide users from product conception to store shelf.

Section IV - ILRT - Loss Reduction Recommendations

ILRT members have agreed that:

- ILRT recommendations are not binding but if implemented they will help resolve this difficult issue in a win/win manner.
- Once a retailer and manufacturer have agreed on and executed source tagging of an item, the item should be generally accessible to the consumer.
- Most retailers have a limited number of stores where product will remain constrained or “locked up” even when tagged and that information should be generally shared with the manufacturer.
- Theft, not shortages or billing errors, must be the driver of the Top 250 High-Loss Sku List.
- Cost analysis needs to be performed to ensure that the costs of anti-theft solutions do not exceed the loss.
- Product costs will always remain confidential between individual buyers and sellers.
- Generic price thresholds (i.e. all items over \$x) for anti-theft solutions should be avoided.
- New product discussions will remain confidential between retailer and manufacturer and supported as appropriate with non-disclosure agreements.
- Individual manufacturers and retailers retain the freedom to make their own choices as to which items should be tagged.

While retailer loss quantification will vary the sources used to identify high-loss sku’s will include:

- Shoplifting apprehension data
- Retailer internal apprehension data
- Sku level inventory results or other cyclical inventory processes
- Retailer exception reporting data

Recommended New or Changed EAN.UPC Code Solution Set

- The ILRT recommends that manufacturers simultaneously develop plans for reducing theft on their items on the industry Top 250 High-Loss Sku List and begin integrating the ILRT’s recommendations for UPC.EAN changes and for new brands and items. Incorporating anti-theft solutions in upstream product development will allow these solutions to be built into brand financials and manufacturing systems in the most effective manner.

1. For EAN.UCC Code Changes (product upgrade, product change, etc.)

The ILRT believes that anti-theft solutions should be considered for all items:

- When the item is being introduced into a known high-loss category, and
- When the expected loss exceeds 2 times the cost for the anti-theft solution.

2. For New brands and/or sizes being introduced

The ILRT believes that anti-theft solutions should be considered for all new items:

- Where the cost of anti-theft protection is less than 1% of resale price, AND...
- Where the item is easily concealable (i.e., fits into a normal size purse), AND...
- When the item will be introduced into a known high loss category - it should be assumed to be high-loss too, OR...
- When the item is being introduced into a totally new category, if the item is likely to be highly desirable due to advertising or unique product benefit (e.g., appeal, collectibles).
- The ILRT has also created a Retail Intelligence Sub-Committee, which can be consulted on new or changed EAN.UPC code items and/or on totally new items in a very confidential manner to help identify the right theft reduction solution early in the development process.

ILRT Decision & ROI Model Narrative (See exhibit #3a-b)

The Decision Support Model provides one methodology by which manufacturers and retailers can calculate the projected costs and benefits of source tagging a particular product. This process compares the incremental cost of protecting a given product to the anticipated reduction in losses and derives a net profit contribution calculation, which can be used to determine the relative cost/benefit of such a decision. The terminology used, which is defined in the attached documents, may differ among retailers/manufacturers, but the categories of cost and benefit can be modified to utilize information available for each retailer or for the particular products being analyzed.

Implementing Anti-Theft Solutions

The ILRT has maintained its operating principles of total system thinking, objectivity, and collaboration throughout the ILRT's work. Consistent with these principles two way communications need to occur as a manufacturer works on an anti-theft solution. Retailers are committed to help find anti-theft solutions which are cost effective for the total system, add value to the consumer, and which can be implemented across all retail customers.

A manufacturer planning to implement an anti-theft solution via an EAS tag will be confronted with a number of issues and financial alternatives. These issues will include, but are not limited too, maintaining a separate inventory for RF, AM, and open stock, applying both RF and AM tags in a random or alternate fashion to allow one less inventory pile, applying both an RF and AM tag to each product and shipping live tags which may or may not need deactivation elsewhere (**See exhibit 2 - activation/deactivation study**), and fractional tagging to meet the needs of manufacturing efficiency and effectiveness.

The ILRT recommends that manufacturers must make anti-theft decisions by product category. However, the best decisions consider the total system impacts and that can best be accomplished by open communications with retailers. The ILRT will work to provide the venue for manufacturers seeking input on dealing with cross channel retailer impacts.

Recommended Ongoing ILRT Process Improvements

The ILRT will continue its work and use the communications capabilities of one or more of the major trade associations (NACDS, GMA, FMI, IMRA, NRF, etc.). This forum will allow retailers and manufacturers to collaboratively work together to develop anti-theft solutions, which add value to the consumer.

While the ILRT has made much progress in addressing this long-standing issue between retailers and manufacturers, the recommendations proposed are not perfect and over time can be improved. In the spirit of this expected continuous improvement the ILRT further recommends that it will undertake the following next steps:

1. Deploy the ILRT “collaborative roadmap recommendations” to both retailers and manufacturers by March 2003.
2. Create a team to identify any high-loss SKU’S across all trade channels, which may have slipped through the ILRT’s processes.
3. Update and deploy the ILRT processes periodically to reflect new learning.
4. Develop strategies and solutions for combating other and/or broader forms of loss. Examples would include: packaging solutions when EAS will not work, diversion, piracy, organized crime, etc.
5. Monitor the EPC anti-theft pilots and included EPC recommendations as soon as they are commercially available.
6. Help other industries (i.e. softgoods, etc.) reapply our processes and learning on an as requested basis.

Section V - Exhibits

1. Top 250 High-Loss Sku List
2. Activation/Deactivation Study and Implementation Model
3. a) Decision & ROI Model Narrative
b) ROI Calculation Model - 2 Examples
4. ILRT Current Company Contacts
5. Frequently Asked Questions

Section VI - Glossary of Terms

- AM:** Acoustic Magnetic (Sensormatic and other manufactures using Acoustic Magnetic technology)
- CPMA:** (Consumer Products Manufactures Association)-A manufacturers association developed with the objective of providing an industry solution to retail theft.
- EAS:** Electronic Article Surveillance is a system that protects merchandise from theft. An EAS system has three components: 1) labels and hard tags-electronic sensors that are attached to merchandise; 2) deactivators and detachers-used at the point of sale to electronically deactivate labels and detach reusable hard tags as items are purchased; and 3) detectors that create a surveillance zone at exits or checkout aisles.
- EAN:** European Article Code
- EPC:** Electronic Product Code
- FMI:** (Food Marketing Institute)-Washington based trade association that represents the interests of the retail food industry
- IMRA:** (International Mass Retail Association)-Washington based trade association that represents the interests of the retail industry
- ILRT:** (Industry Loss Reduction Team)-Group of retailers and manufacturers working collaboratively to provide a win-win solution(s) to retail theft.
- NACDS:** (National Association of Chain Drug Stores)-Washington based trade association that represents the interest of the retail pharmacy industry
- RF:** Radio Frequency (Checkpoint and other manufacturers using radio frequency technology)
- SKU:** Stock Keeping Unit
- UPC:** Uniform Product Code

Exhibit #1

Top 250 High-Loss Sku List

11 Digit UPC**Item Description****Vendor**

| | | |
|-------------|-----------------------------------|-----------------|
| 09381597103 | EXACTECH BLOOD REAGNT STRPS 50S X | ABBOTT LABS |
| 09381597543 | EXACTECH RSG BLD GLUC STRP 100S | ABBOTT LABS |
| 09381597400 | PRECISION QID BLD GLUC STRP 50S X | ABBOTT LABS |
| 09381597401 | PRECISION QID TEST STRIPS 100S | ABBOTT LABS |
| 09381598814 | PRECISION XTRA BLD GLUC MONITR X | ABBOTT LABS |
| 30998007815 | NAPHCON OPTH SOLN 15ML | ALCON CONSUMER |
| 66685200490 | ATLAST BLOOD GLUCOSE METER | AMIRA MEDICAL |
| 31011902100 | B&L OPCON-A EYE DROPS .5OZ | BAUSCH & LOMB |
| 32586650381 | ALEVE ARTHRITIS CAPLET 100S | BAYER CONSUMER |
| 32586600003 | ALEVE CAPLETS 150S | BAYER CONSUMER |
| 32586600102 | ALEVE CAPLETS 0102 200S | BAYER CONSUMER |
| 32586610506 | ALEVE CAPLETS 30079 100S X | BAYER CONSUMER |
| 32586605480 | ALEVE GELCAP 80S | BAYER CONSUMER |
| 32586600004 | ALEVE TABLET 150S | BAYER CONSUMER |
| 32586610505 | ALEVE TABLETS 34050 100S X | BAYER CONSUMER |
| 30193237150 | GLUCOFILM BLD TST STRO 2371 50S | BAYER CONSUMER |
| 30193237021 | GLUCOFILM BLD TST STRP2370 100S | BAYER CONSUMER |
| 30193362721 | GLUCOMETER DEX TEST SENSOR 100S | BAYER CONSUMER |
| 30193388501 | GLUCOMETER ELITE SYSTM MDL 3885 X | BAYER CONSUMER |
| 30193394221 | GLUCOMETER ELITE TST STRPS 100S X | BAYER CONSUMER |
| 30193237321 | GLUCOSTIX RGENT STRIP 2373 100S | BAYER CONSUMER |
| 30193288050 | KETOSTIX STRIPS 2880 50S X | BAYER CONSUMER |
| 31981000166 | EXCEDRIN EX/STR TABS 7827 100S | BRISTOL MYERS |
| 31981000866 | EXCEDRIN MIGRAINE CAPLETS 100S | BRISTOL MYERS |
| 31981000184 | EXCEDRIN P.M. TABS 7644 100S | BRISTOL MYERS |
| 31981000023 | EXCEDRIN EX/STR CAPLTS 0028 100S | BRISTOL MYERS |
| 02260090125 | FIRST RESPNS 1STP PRG KT 90125 | CARTER PRODUCTS |
| 02260094950 | TROJAN RIBBED LUB 94950 36S X | CARTER PRODUCTS |
| 35301484261 | DELSYM 3OZ | CELLTECH |
| 75084572080 | CANON I/CRT BL BCI21BJC4200/4550 | DAISYTEK INTL |
| 75084572081 | CANON I/CRT CL BCI21BLC4200/4550 | DAISYTEK INTL |
| 75084572137 | CANON INK CART COLOR BC-05 X | DAISYTEK INTL |
| 01034381232 | EPSON I/CRT STY BLK 400/500/600 X | DAISYTEK INTL |
| 08869858509 | HP INK CART DJ/DW850/855C BLACK | DAISYTEK INTL |
| 08869800428 | HP INK CRT BL DJ/DW850/855/1600 X | DAISYTEK INTL |
| 08869819196 | HP INK CRT H/CP DJ/DW500 628324 | DAISYTEK INTL |
| 08869819197 | HP INK CRT H/CP DJ/DW600 628332 | DAISYTEK INTL |

| | | |
|-------------|-------------------------------------|---------------|
| 08869868727 | HP INK CRT TR/C SER 720-722-890 X | DAISYTEK INTL |
| 08869800302 | HP INK CRT TR/CL DJ/DW800 630256 | DAISYTEK INTL |
| 73464612062 | LEXMARK INKJET CART BLACK 1970 X | DAISYTEK INTL |
| 73464612061 | LEXMARK INKJET CART COLOR 1980 X | DAISYTEK INTL |
| 04177817807 | KODAK 35MM CAMERA KE30 | EASTMAN KODAK |
| 04177840410 | KODAK ADVANTIX APS CAMERA C400 X | EASTMAN KODAK |
| 04177814951 | KODAK ADVANTIX APS CAMERA F350 X | EASTMAN KODAK |
| 04177180033 | KODAK ADVANTIX APS CAMERA T550 X | EASTMAN KODAK |
| 04177136168 | KODAK ADVANTIX FILM 200 3PK 25EXP | EASTMAN KODAK |
| 04177116889 | KODAK ADVANTIX FILM 400 3PK 25EXP | EASTMAN KODAK |
| 04177162668 | KODAK ADVANTIX ZOOM CAMERA F600 X | EASTMAN KODAK |
| 04177156826 | KODAK ADVANTX FLM 400/40 ACIX240C | EASTMAN KODAK |
| 04177155364 | KODAK ADVTIX FILM 200/25 ABIX240C | EASTMAN KODAK |
| 04177158684 | KODAK ADVTIX FILM 200/40 ABIX240C | EASTMAN KODAK |
| 04177155421 | KODAK ADVTIX FILM 400/25 ACIX240C | EASTMAN KODAK |
| 04177814453 | KODAK APS OTUC FLSH W/\$3PRC 25EXP | EASTMAN KODAK |
| 04177157389 | KODAK GOLD 200 35MM 4PK 96EXP X | EASTMAN KODAK |
| 04177124194 | KODAK GOLD 35MM FILM 200/24EXP | EASTMAN KODAK |
| 04177156621 | KODAK GOLD MAX 35MM 800 4PK 24EXP | EASTMAN KODAK |
| 04177155699 | KODAK GOLD MAX 35MM FLM 400/24EXP | EASTMAN KODAK |
| 04177164156 | KODAK MAX 400 35MM 4PK 96EXP X | EASTMAN KODAK |
| 04177835313 | KODAK MAX HQ 35MM OTUC 27EXP | EASTMAN KODAK |
| 04177873755 | KODAK MAX OTUC W/FLASH 27EXP X | EASTMAN KODAK |
| 04177839485 | KODAK OTUC W/FLSH 39EXP W/BNS 15X | EASTMAN KODAK |
| 03980001132 | ENERGIZER ADV BATTERY AA 4S | EVEREADY |
| 03980003287 | ENERGIZER ADV BATTERIES AA 8S | EVEREADY |
| 03980005669 | ENERGIZER ADV BATTERIES AAA 8S | EVEREADY |
| 03980002707 | ENERGIZER E2 BATTERIES AA 4S | EVEREADY |
| 03980002706 | ENERGIZER E2 BATTERIES AA 8S | EVEREADY |
| 07410103444 | FUJI QUICKSNAP PAN FLSH CAM 15EXP | FUJI PHOTO |
| 07410103434 | FUJI SUPER HQ 200 1FR W/3S 96EXP | FUJI PHOTO |
| 07410120224 | FUJI SUPER HQ 35MM FILM 200/24EXP | FUJI PHOTO |
| 04133358001 | DURACELL ULTRA AA MX1500 B2U AA 2'S | GILLETTE |
| 06905581513 | BRAUN ORAL-B 3D PLQ REMV D17525 X | GILLETTE |
| 06905581676 | BRAUN ORAL-B PLQ REM D15511 3D X | GILLETTE |
| 06905581584 | BRAUN ORAL-B PLQ REM D6011 X | GILLETTE |
| 06905581262 | BRAUN ORAL-B PLQ REM ULTR D9525 X | GILLETTE |
| 06905581480 | BRAUN ORAL-B PLQ REM ULTRA D9511 | GILLETTE |

| | | |
|-------------|-----------------------------------|---|
| 06905580922 | BRAUN ORAL-B REPL BRSH HD EB17-3 | GILLETTE |
| 06905581942 | BRAUN SYNCRO SYSTEM SHAVER 7505 X | GILLETTE |
| 04133341501 | DURACELL BATTERIES AA 4S | GILLETTE |
| 04133364100 | DURACELL BATTERIES AA PPR 12S X | GILLETTE |
| 04133342401 | DURACELL BATTERIES AAA 4S | GILLETTE |
| 04133364200 | DURACELL BATTERIES AAA PPR 12S | GILLETTE |
| 04133382501 | DURACELL BATTERY AA MN1500B8 8S | GILLETTE |
| 04133384401 | DURACELL BATTERY AAA MN2400B8 8S | GILLETTE |
| 04133360001 | DURACELL ULTRA AA MX1500B4 4S | GILLETTE |
| 04133361001 | DURACELL ULTRA AA MX1500B8U 8S | GILLETTE |
| 04133361101 | DURACELL ULTRA AAA MX2400 B8U 8S | GILLETTE |
| 04133363001 | DURACELL ULTRA AAA MX2400B4U 4S | GILLETTE |
| 04740011035 | GIL GOODNEWS RAZR 1035 10S | GILLETTE |
| 04740018020 | GIL MACH 3 CART 4S X | GILLETTE |
| 04740018005 | GIL MACH 3 CART 8S X | GILLETTE |
| 04740018560 | GIL MACH 3 CART 12S X | GILLETTE |
| 04740017980 | GIL MACH 3 RZR X | GILLETTE |
| 04740010503 | GIL SENSOR CARTRIDGE 5S X | GILLETTE |
| 04740011487 | GIL SENSOR CARTRIDGE 1487 10S X | GILLETTE |
| 04740011489 | GIL SENSOR CARTRIDGE 1489 15S X | GILLETTE |
| 04740011471 | GIL SENSOR EXCEL CART REF 10S X | GILLETTE |
| 04740011473 | GIL SENSOR EXCEL CART REF 15S X | GILLETTE |
| 04740010498 | GIL SENSOR EXCEL CART REFILL 5S X | GILLETTE |
| 04740011446 | GIL SENSOR WM EXCL CAR 10S X | GILLETTE |
| 04740011461 | GIL SENSOR WMN CARTG 1461 10S X | GILLETTE |
| 04740014009 | GIL VENUS WMN RZR SYSTEM | GILLETTE |
| 04740014129 | GIL VENUS WMN RZR/CART 4S | GILLETTE |
| 04740014130 | GIL VENUS WMN RZR/CART 8S | GILLETTE |
| 06905581758 | THERMOSCAN EAR THERMTR IRT3520 X | GILLETTE |
| 75084572556 | CANON COLOR B/JET PRINTER BJC2100 | I BRANDS |
| 35388504810 | FAST TAKE BLOOD GLCS T/STRIP 100S | LifeScan - JOHNSON & JOHNSON |
| 35388544450 | FAST TAKE TEST STRPS 10-444 50S X | LifeScan - JOHNSON & JOHNSON |
| 35388510207 | LIFESCAN LANCETS 10-207 200S | LifeScan - JOHNSON & JOHNSON |
| 30062543005 | MONISTAT 3 DSP CMBO 543005 3S X | Personal Products Co. - JOHNSON & JOHNSON |
| 35388510325 | ONE TCH BSC BLD GLUC SYS 10-325 X | LifeScan - JOHNSON & JOHNSON |
| 35388524701 | ONE TCH ULT BLD GLC SYS 020-247 X | LifeScan - JOHNSON & JOHNSON |
| 35388510197 | ONE TOUCH TEST STRIP 10-197 25S X | LifeScan - JOHNSON & JOHNSON |
| 35388510198 | ONE TOUCH TEST STRIP 10-198 50S X | LifeScan - JOHNSON & JOHNSON |

| | | |
|-------------|-------------------------------------|---|
| 35388537410 | ONE TOUCH TST STRPS 10-374 100S X | LifeScan - JOHNSON & JOHNSON |
| 35388524450 | ONE TOUCH ULTRA TEST STRIPS 50S X | LifeScan - JOHNSON & JOHNSON |
| 71683785690 | PEPCID AC GELCAP 90S | JJ-Merck - JOHNSON & JOHNSON |
| 71683785661 | PEPCID AC GELCAPS 60S | JJ-Merck - JOHNSON & JOHNSON |
| 71683787260 | PEPCID AC TABS 60S | JJ-Merck - JOHNSON & JOHNSON |
| 71683787290 | PEPCID AC TABS 87290 90S | JJ-Merck - JOHNSON & JOHNSON |
| 71683788850 | PEPCID COMPLETE 88850 50S | JJ-Merck - JOHNSON & JOHNSON |
| 35388505210 | SURESTEP BLOOD GLUCOSE STRIP 100S | LifeScan - JOHNSON & JOHNSON |
| 35388535950 | SURESTEP BLOOD GLUCOSE STRP 50S X | LifeScan - JOHNSON & JOHNSON |
| 30045083810 | TYLENOL ARTHRITIS CAPS 100S | McNeil Consumer& Speciality Pharmaceuticals - JOHNSON & JOHNSON |
| 30045044909 | TYLENOL EX/STR CAPLETS 100S | McNeil Consumer& Speciality Pharmaceuticals - JOHNSON & JOHNSON |
| 30045044955 | TYLENOL EX/STR CAPLETS 50S X | McNeil Consumer& Speciality Pharmaceuticals - JOHNSON & JOHNSON |
| 30045044959 | TYLENOL EX/STR CAPLETS 250S X | McNeil Consumer& Speciality Pharmaceuticals - JOHNSON & JOHNSON |
| 30045046861 | TYLENOL EX/STR GELCAPS 225S | McNeil Consumer& Speciality Pharmaceuticals - JOHNSON & JOHNSON |
| 30045046850 | TYLENOL EX/STR GELCAPS 50S X | McNeil Consumer& Speciality Pharmaceuticals - JOHNSON & JOHNSON |
| 30045046870 | TYLENOL EX/STR GELCAPS 100S X | McNeil Consumer& Speciality Pharmaceuticals - JOHNSON & JOHNSON |
| 30045046865 | TYLENOL EX/STR GELCAPS 150S X | McNeil Consumer& Speciality Pharmaceuticals - JOHNSON & JOHNSON |
| 30045012410 | TYLENOL EX/STR GELTABS 100S X | McNeil Consumer& Speciality Pharmaceuticals - JOHNSON & JOHNSON |
| 30045048210 | TYLENOL EX/STR PM CPLTS 100S X | McNeil Consumer& Speciality Pharmaceuticals - JOHNSON & JOHNSON |
| 30045048215 | TYLENOL PM CAPLETS 150S X | McNeil Consumer& Speciality Pharmaceuticals - JOHNSON & JOHNSON |
| 30087030101 | ENFML LIQ W/IRN 13OZ MAKES 26OZ | MEAD JOHNSON |
| 30087033101 | ENFML PWD W/IR 16OZ MAKES 120OZ | MEAD JOHNSON |
| 30087030501 | ENFML RTU W/IRON 305-32 32OZ | MEAD JOHNSON |
| 30087061614 | LACTFREE PWDR 14OZ MAKES 105OZ | MEAD JOHNSON |
| 30087033801 | NUTRAMIGN PWDR 16OZ MAKES 102OZ | MEAD JOHNSON |
| 30087036701 | PREGESTIML PWD 16OZ MAKES 112OZ | MEAD JOHNSON |
| 30087310121 | PRO SOB PWDR 14OZ MAKES 102OZ | MEAD JOHNSON |
| 30259030350 | MEDERMA SCAR SKIN CARE 1.76OZ | MERZ SKIN CARE |
| 31191703221 | METABOLE\$\$ CAPS TWIN PACK PPR180S | METABOLIFE INTL |
| 81724500001 | METABOLIFE 356 CAPLET 90S X | METABOLIFE INTL |
| 07502020562 | NORELCO ADVANTAGE RECH RAZOR X | NORELCO |
| 07502020522 | NORELCO REFLEX ACTION 5801XL X | NORELCO |
| 35987960912 | GLUCOSAMINE/CHONDTN DS CAP 120S X | PECOS/MEDTECH |
| 30081001824 | ACTIFED TABLETS 24S X | PFIZER CONSUMER |
| 05280032962 | E.P.T. 2-TEST PREG TST KT 32962 X | PFIZER CONSUMER |
| 05280032957 | E.P.T. STICK PREG TST KIT 32957 X | PFIZER CONSUMER |
| 30081960027 | SUDAFED 24HR TABS 10S X | PFIZER CONSUMER |
| 30081087024 | SUDAFED COLD/ALLERGY 22879 24S X | PFIZER CONSUMER |

| | | |
|--------------|------------------------------------|-------------------|
| 30081960024 | SUDAFED TABLETS 30MG 96S X | PFIZER CONSUMER |
| 31254768462 | ZANTAC 75 75MG BOTTLE 68462 60S | PFIZER CONSUMER |
| 31254768440 | ZANTAC 75 75MG BTL #68440 80S X | PFIZER CONSUMER |
| 31254768430 | ZANTAC-75 75MG #68430 30S X | PFIZER CONSUMER |
| 03784991032 | PHILIPS 4 HEAD VCR VR420CAT X | PHILIPS/MAGNAVOX |
| 38490322373 | SONICARE ADVANCE T/B QP-3 | PHILLIPS ORAL |
| 38490301501 | SONICARE PERSONAL MODEL PS-1 X | PHILLIPS ORAL |
| 38490322207 | SONICARE PLUS PLQ REM T/B PL-4 X | PHILLIPS ORAL |
| 07410004863 | POL FUN FLASH 640 DIGITAL CAM KIT | POLAROID CORP |
| 07410000042 | POL IZONE POCKET FILM STICKY 3S | POLAROID CORP |
| 07410008670 | POL ONE STEP EXPRESS CAM 109044 | POLAROID CORP |
| 07410024242 | POL SPECTRA PLT FILM 624243 2PK X | POLAROID CORP |
| 07410014465 | POL WEBSTER IZONE SCANNER 117338 | POLAROID CORP |
| 03700036367 | CREST WHITESTRIPS SYSTEM 56S | PROTER & GAMBLE |
| 323900000875 | DAYQUIL LIQUICAP N/DRWS 20S | PROTER & GAMBLE |
| 323900000063 | VICKS NYQUIL COLD MEDICINE 6OZ X | PROTER & GAMBLE |
| 323900000844 | VICKS NYQUIL LIQUICAP 0844 20S | PROTER & GAMBLE |
| 323900000182 | VICKS NYQUIL ORIG TWIN PK 10OZ X | PROTER & GAMBLE |
| 30034121060 | SEKOKOT S TABLETS 60S X | PURDUE FREDERICK |
| 30034121030 | SEKOKOT S TABLETS 1210-30 30S X | PURDUE FREDERICK |
| 30034120080 | SEKOKOT TABLETS 100S X | PURDUE FREDERICK |
| 30997238210 | REV CUTICLE NIPPER FULL 2382-10 X | REVLON IMPLEMENTS |
| 30997238310 | REV CUTICLE NIPPER HALF 2383-10 X | REVLON IMPLEMENTS |
| 03076802432 | SUNDOWN METAB O LITE TABS 90S X | REXALL SUNDOWN |
| 07553730381 | ACCU-CHEK ADV/CMP CMFT STRP 100 X | ROCHE DIAGNOSTICS |
| 07553730373 | ACCU-CHEK ADV/CMP CMFT STRP 50S X | ROCHE DIAGNOSTICS |
| 07553700860 | ACCU-CHEK ADVANTGE CARE KIT 860 X | ROCHE DIAGNOSTICS |
| 07553700877 | ACCU-CHEK INSTANT TST STRP 100S X | ROCHE DIAGNOSTICS |
| 07553730276 | ACCU-CHEK SIMPLCTY TEST STR 50S X | ROCHE DIAGNOSTICS |
| 07553700508 | CHEMSTRIP BG 508 ACUII STP 100S X | ROCHE DIAGNOSTICS |
| 07553700971 | SOFTCLIX STERILE LANCETS 100S X | ROCHE DIAGNOSTICS |
| 07553700535 | TRACER-BG REAGENT STRPS 535 50S X | ROCHE DIAGNOSTICS |
| 07007440264 | SIMILAC LIQ L/I CONC 13OZMAKES26OZ | ROSS LABORATORIES |
| 07007442110 | ISOMIL CONC LIQ 13OZ MAKES 26OZ | ROSS LABORATORIES |
| 07007420107 | ISOMIL POWDER 14OZ MAKES 102OZ | ROSS LABORATORIES |
| 07007451851 | SIMLAC NEOSURE PWD 14OZ MAKES 92Z | ROSS LABORATORIES |
| 07007452277 | SIMLAC PD W/I 14.1Z MAKES 105OZ | ROSS LABORATORIES |
| 30085360101 | CORICIDIN COUGH/COLD TABLET 16S X | SCHERING PLOUGH |

| | | |
|-------------|-----------------------------------|---------------------|
| 02724258294 | SONY CD WALKMAN BLUE D-E 220 X | SONY CORP |
| 02724257829 | SONY DIG AM/FM WLKM WMFX281/277 X | SONY CORP |
| 02724258085 | SONY PRESSMAN MCROCASS M477 PPR X | SONY CORP |
| 03076803137 | OSTEO BI FLEX DBL STR CAPLT 50S | SUNDOWN VITAMINS |
| 03076803134 | OSTEO BI FLX RG STRNGTH CAPLT120S | SUNDOWN VITAMINS |
| 03076803139 | OSTEO BI FLEX DBL STR CAPLT 150S | " SUNDOWN, INC" |
| 69907311001 | FREESTYLE BLD GLUCOSE SYSTEM X | THERASENSE |
| 69907313001 | FREESTYLE LANCETS 100S | THERASENSE |
| 69907312050 | FREESTYLE TEST STRIPS 50S X | THERASENSE |
| 69907312001 | FREESTYLE TEST STRIPS 100S X | THERASENSE |
| 04431980128 | GE 25 CH CRDLS PHNE/CALL ID 26730 | THOMSON MULTIMEDIA |
| 04431900114 | GE FRS 3 CHANNEL 3-5800GP3 2S | THOMSON MULTIMEDIA |
| 04431900257 | RCA CD AM/FM CASS RDC110/7968 X | THOMSON MULTIMEDIA |
| 04431910135 | RCA PERS CD PLAYER RP2419/2360 X | THOMSON MULTIMEDIA |
| 04431942360 | RCA PERS CD PLYR 45ESP RP260/2242 | THOMSON MULTIMEDIA |
| 63347200278 | CLEARBLUE ESY DBLE PREG TST KIT X | UNIPATH DIAGNOSTICS |
| 63347202220 | CLEARPLAN EASY FERTILTY MONITR X | UNIPATH DIAGNOSTICS |
| 71510613816 | BELL SOUTH CRDLS PHN 2.4GHZ X | US ELECTRONICS |
| 71510612953 | BELL SOUTH DESK PHN/CALLID 8823 X | US ELECTRONICS |
| 71510613334 | BELL SOUTH RANGER 2WAY COMM X | US ELECTRONICS |
| 71510613175 | BELL SOUTH CRDLS PHN 900MHZ BLK X | US ELECTRONICS INC |
| 66612000052 | DIG VOICE RCRDR 80MIN PPR DA300 X | VOICE 2000S INC |
| 66612000062 | VOICE 2000 900MHZ CRDLS MINI PH X | VOICE 2000S INC |
| 30573016020 | ADVIL CAPLETS 24S | WYETH |
| 30573016030 | ADVIL CAPLETS 50S X | WYETH |
| 30573016040 | ADVIL CAPLETS 100S X | WYETH |
| 30573016046 | ADVIL CAPLETS 250S X | WYETH |
| 30573018010 | ADVIL COLD/SINUS CAPLETS 20S | WYETH |
| 30573015020 | ADVIL TABLETS 24S | WYETH |
| 30573015030 | ADVIL TABLETS 50S X | WYETH |
| 30573015046 | ADVIL TABLETS 250S X | WYETH |
| 30573015040 | ADVIL TABLETS 100S X | WYETH |
| 30005417723 | CENTRUM SILVER TABLET 100S | WYETH |
| 30005417758 | CENTRUM SILVER TABLET 150S | WYETH |
| 30005423930 | CENTRUM VITAMINS 130S | WYETH |
| 30005423936 | CENTRUM VITAMINS 180S | WYETH |
| 30031223032 | DIMETAPP COLD/ALLERGY 4OZ | WYETH |
| 30766080100 | ABREVA COLD SORE CREAM 2GM X | GSK |

| | | | |
|-------------|-----------------------------|--------|-----|
| 34580023822 | CONTAC 12HR CAPLETS | 20S | GSK |
| 30766146020 | NICODERM C Q 14MG/PATCH | 14S X | GSK |
| 30766145010 | NICODERM C Q 21MG/PATCH | 7S X | GSK |
| 30766145020 | NICODERM C Q 21MG/PATCH | 14S X | GSK |
| 30766147012 | NICODERM C Q 7MG/PATCH | 14S X | GSK |
| 30766143020 | NICODERM CQ CLEAR 14MG | 14S X | GSK |
| 30766142020 | NICODERM CQ CLEAR 21MG | 14S X | GSK |
| 30766144020 | NICODERM CQ CLEAR PATCH 7MG | 14S X | GSK |
| 30766004330 | NICORETTE MINT 2MG REFL KIT | 48S X | GSK |
| 30766004430 | NICORETTE MINT 4MG REFL KIT | 48S X | GSK |
| 30766004460 | NICORETTE ORANGE REFILL 4MG | 48S X | GSK |
| 30766004350 | NICORETTE ORNG STR KT 2MG | 108S X | GSK |
| 30766004450 | NICORETTE ORNG STR KT 4MG | 108S X | GSK |
| 30766004548 | NICORETTE REFILL 2MG | 48S X | GSK |
| 30766004560 | NICORETTE REFILL 2MG | 168S X | GSK |
| 30766004748 | NICORETTE REFILL 4MG | 48S X | GSK |
| 30766004760 | NICORETTE REFILL 4MG | 168S X | GSK |
| 30766004508 | NICORETTE STARTER KIT 2MG | 108S X | GSK |
| 30766004708 | NICORETTE STARTER KIT 4MG | 108S X | GSK |
| 30766004320 | NICORETTE STRTR KT MNT 2MG | 108S X | GSK |
| 30766004420 | NICORETTE STRTR KT MNT 4MG | 108S X | GSK |
| 30021442909 | PHAZYME ULT/STR SFTGL 180MG | 60S | GSK |
| 30766501630 | TAGAMET 200MG 501630 | 30S | GSK |

Exhibit #3a

Decision & ROI Model Narrative

| Category | Explanation |
|--|--|
| Avg Weeks - On-Hand | Average weeks on-hand for the item (used in calculating inventory carrying costs) |
| Base Increase in Cost per Item | Cost increase independent of decision to protect |
| Source Tag Increase | Cost to source tag one unit (includes cost of tag, labor, etc.) |
| Package Enhancement Increase | Cost to enhance packaging with theft deterrent packaging |
| Total incremental cost per item | Total of above two items |
| % Reduction in Sweeping Theft* | Estimated reduction in sweeping theft (product removed in packaging) if either/both above enhancements are implemented |
| % Reduction in Backroom Adj.* | Estimated reduction in package defeat (product removed from packaging) if either/both above enhancements are implemented |
| Total % reduction in Theft enhancements are imple | Total estimated reduction of theft if either/both above mented |
| Inventory Carrying Interest % | Interest rate paid to finance inventory |
| Payables/Inventory Ratio | Proportion of inventory the supplier is financing for us |
| Base Increase in Retail Price per Item | Increase in retail price of item independent of decision to protect |
| Incremental Increase in Retail Price | Retail price increase due to implementation of one or either per Item of the above measures |
| Total Increase in Retail Price per Item | |
| Base sales % increase | Forecasted increase in sales w/o implementation of either of the two above enhancements |
| % "Items no longer stolen" that are purchased for sale | Percentage of items that would have been stolen without measures now available for sale |
| % sell-through | See above explanation |
| Cost per item | Cost to WM to buy one item |
| Purchases (Items) | |
| Sale | Number of items actually available for sale and sold |
| Sweeping Theft of Retail Link Query) | Number of items lost due to sweeping theft instances (result |
| Backroom Adj. (result of Retail Link Query) | Number of items lost due to package defeat thefts instances |
| In-Stock Coverage | Items purchased and sold that would have been stolen with out either of the measures |
| Overstock | Items purchased but not sold that would have been stolen without either of the measures |
| Total | |
| Purchases (\$) | Same as above calculated in dollars instead of units |
| Sale | |
| Sweeping Theft | |
| Backroom Adj. | |
| In-Stock Coverage | |
| Overstock | |
| Total | |
| Average Retail price on Goods Sold | Average retail price per unit (after comp markdowns) |
| Retail Sales | |
| GP\$ | Total Retail Sales times Gross Profit Percent |
| GP% | |
| Inventory Carrying Costs | Dollars paid by WM to carry inventory |
| Net Profit Contribution | Gross Profit Dollars minus Inventory Carrying Cost |
| Retail Shrink | Percent and dollars of shrinkage |

NY1 =Next Year w/o enhancements - only reflects forecasted sales increase
 NY2 =Next Year with enhancements and forecasted sales increase

TY = This Year
 * Merchandise theft methods:

Inventory Adjustments: the product is removed from the premises in it's original package - no residue remains at the retailer. This type of theft includes instances of single quantity removal such as a single DVD stolen or instances in which more professional groups removed large quantities of product as defined below:

Sweeping theft: instances of sweeping theft are those in which large quantities of product are removed primarily for resale at flea markets or other means of mass re-distribution (overseas diversion, internet sales {ebay} or other means). Products particularly susceptible to sweeping theft are replacement razor cartridges, DVD, VHS, CD, ink jet cartridges, some cosmetics and some tools.

Backroom Adjustments: the product is removed from it's original packaging in the store (residual packaging remains in store or on premises). These instances are those of typical shoplifting where the customer removes the merchandise from the packaging for personal use such as a single video game cartridge, two-way radio, high-end power tool, prestige cologne, camera, watch, etc.

The University of Florida National Retail Security Survey may be of interest:

www.soc.ufl.edu/srp.htm

Assumptions:

| | | |
|---|----|---------|
| Avg Weeks-On-Hand | | 10.74 |
| Base increase in cost per item | \$ | - |
| Source Tag increase | \$ | 0.03 |
| Pkg Enhancement increase | \$ | - |
| Total incremental cost per item | \$ | 0.03 |
| % Reduction in Sweeping Theft | | -40.00% |
| % Reduction in Backroom Adj. | | 0.00% |
| Total % reduction in Theft | | -13.19% |
| Inventory Carrying Interest % | | 4.00% |
| Payables/Inventory Ratio | | 55% |
| Base Increase in retail price per item | \$ | - |
| Incremental increase in retail price per item | \$ | - |
| Total increase in retail price per item | \$ | - |
| Base sales % increase | | 10.00% |
| % "items no longer stolen" that are purchased | | 50.00% |
| % sell-through | | 80.00% |

Exhibit #3b

ROI Calculation Model

Example 1 ROI Positive

Results

| | TY | NY1 | NY1 vs. TY | | NY2 | NY2 vs TY | | NY2 vs NY1 | |
|--------------------------------|---------------|---------------|------------|--------|---------------|-----------|---------|------------------|---------|
| | | | +/- | % | | +/- | % | +/- | % |
| | Cost per item | \$ 7.70 | \$ 7.70 | \$ - | 0.00% | \$ 7.75 | \$ 0.05 | 0.35% | \$ 0.03 |
| Purchases (Items) | | | | | | | | | |
| Sale | 1,120,143 | 1,232,157 | 112,014 | 10.00% | 1,232,157 | 112,014 | 10.00% | - | 0.00% |
| Sweeping Theft | 19,495 | 21,445 | 1,950 | 10.00% | 12,867 | (6,628) | -34.00% | (8,578) | -40.00% |
| Backroom Adj. | 39,614 | 43,575 | 3,961 | 10.00% | 43,575 | 3,961 | 10.00% | - | 0.00% |
| In-Stock Coverage | - | - | - | 0.00% | 3,431 | 3,431 | | 3,431 | |
| Overstock | - | - | - | 0.00% | 858 | 858 | | 858 | |
| Total | 1,179,252 | 1,297,177 | 117,925 | 10.00% | 1,292,888 | 113,636 | 9.64% | (4,289) | -0.33% |
| Purchases (\$) | | | | | | | | | |
| Sale | \$ 8,625,101 | \$ 9,487,611 | \$ 862,510 | 10.00% | \$ 9,524,576 | 899,475 | 10.43% | \$ 36,965 | 0.39% |
| Sweeping Theft | \$ 150,112 | \$ 165,123 | \$ 15,011 | 10.00% | \$ 99,460 | (50,652) | -33.74% | \$ (65,663) | -39.77% |
| Backroom Adj. | \$ 305,028 | \$ 335,531 | \$ 30,503 | 10.00% | \$ 336,838 | 31,810 | 10.43% | \$ 1,307 | 0.39% |
| In-Stock Coverage | \$ - | \$ - | \$ - | 0.00% | \$ 26,523 | 26,523 | | \$ 26,253 | |
| Overstock | \$ - | \$ - | \$ - | 0.00% | \$ 6,631 | 6,631 | | \$ 6,631 | |
| Total | \$ 9,080,240 | \$ 9,988,264 | \$ 908,024 | 10.00% | \$ 9,994,027 | 913,786 | 10.06% | \$ 5,762 | 0.06% |
| Avg retail price on goods sold | \$ 8.93 | \$ 8.93 | \$ - | 0.00% | \$ 8.93 | - | 0.00% | \$ - | 0.00% |
| Retail Sales | \$ 9,999,984 | \$ 10,999,982 | 999,998 | 10.00% | \$ 11,030,613 | 1,030,629 | 10.31% | 30,631 | 0.28% |
| GP\$ | \$ 919,744 | \$ 1,011,718 | \$ 91,974 | 10.00% | \$ 1,036,587 | 116,843 | 12.70% | \$ (24,869) | 2.46% |
| GP% | 9.20% | 9.20% | 0.00% | 0.00% | 9.40% | 0.20% | 2.17% | 0.20% | 2.17% |
| Inventory Carrying Costs | \$ 33,758 | \$ 37,133 | \$ 3,376 | 10.00% | \$ 37,155 | 3,397 | 10.06% | \$ 21 | 0.06% |
| Net Profit Contribution | \$ 885,986 | \$ 974,585 | \$ 88,599 | 10.00% | \$ 999,432 | 113,446 | 12.80% | \$ 24,847 | 2.55% |
| % | 8.86% | 8.86% | 0.00% | 0.00% | 9.06% | 0.20% | 2.26% | 0.20% | 2.26% |

NY1 = Next Year w/o program
 NY2 = Next Year w/program

Assumptions:

| | | |
|---|----|---------|
| Avg Weeks-On-Hand | | 10.74 |
| Base increase in cost per item | \$ | - |
| Source Tag increase | \$ | 0.05 |
| Pkg Enhancement increase | \$ | - |
| Total incremental cost per item | \$ | 0.05 |
| % Reduction in Sweeping Theft | | -35.00% |
| % Reduction in Backroom Adj. | | 0.00% |
| Total % reduction in Theft | | -11.54% |
| Inventory Carrying Interest % | | 4.00% |
| Payables/Inventory Ratio | | 55% |
| Base Increase in retail price per item | \$ | - |
| Incremental increase in retail price per item | \$ | - |
| Total increase in retail price per item | \$ | - |
| Base sales % increase | | 10.00% |
| % "items no longer stolen" that are purchased | | 50.00% |
| % sell-through | | 80.00% |

Exhibit #3b

ROI Calculation Model

Example 2 ROI Negative

Results

| | TY | NY1 | NY1 vs. TY | | NY2 | NY2 vs TY | | NY2 vs NY1 | |
|--------------------------------|--------------|---------------|------------|--------|---------------|-----------|---------|-------------|---------|
| | | | +/- | % | | +/- | % | +/- | % |
| | | | | | | | | | |
| Cost per item | \$ 7.70 | \$ 7.70 | \$ - | 0.00% | \$ 7.75 | \$ 0.05 | 0.65% | \$ 0.05 | 0.65% |
| Purchases (Items) | | | | | | | | | |
| Sale | 1,120,143 | 1,232,157 | 112,014 | 10.00% | 1,232,157 | 112,014 | 10.00% | - | 0.00% |
| Sweeping Theft | 19,495 | 21,445 | 1,950 | 10.00% | 13,939 | (5,556) | -28.50% | (7,506) | -35.00% |
| Backroom Adj. | 39,614 | 43,575 | 3,961 | 10.00% | 43,575 | 3,961 | 10.00% | - | 0.00% |
| In-Stock Coverage | - | - | - | 0.00% | 3,002 | 3,002 | | 3,002 | |
| Overstock | - | - | - | 0.00% | 751 | 751 | | 751 | |
| Total | 1,179,252 | 1,297,177 | 117,925 | 10.00% | 1,293,424 | 114,172 | 9.68% | (3,753) | -0.29% |
| Purchases (\$) | | | | | | | | | |
| Sale | \$ 8,625,101 | \$ 9,487,611 | \$ 862,510 | 10.00% | \$ 9,549,219 | 924,118 | 10.71% | \$ 61,608 | 0.65% |
| Sweeping Theft | \$ 150,112 | \$ 165,123 | \$ 15,011 | 10.00% | \$ 108,027 | (42,085) | -28.04% | \$ (57,096) | -34.58% |
| Backroom Adj. | \$ 305,028 | \$ 335,531 | \$ 30,503 | 10.00% | \$ 337,709 | 32,682 | 10.71% | \$ 2,179 | 0.65% |
| In-Stock Coverage | \$ - | \$ - | \$ - | 0.00% | \$ 23,267 | \$23,267 | | \$ - | |
| Overstock | \$ - | \$ - | \$ - | 0.00% | \$ 5,817 | | | \$ 5,817 | |
| Total | \$ 9,080,240 | \$ 9,988,264 | \$ 908,024 | 10.00% | \$ 10,024,039 | 943,799 | 10.39% | \$ 35,775 | 0.36% |
| Avg retail price on goods sold | \$ 8.93 | \$ 8.93 | \$ - | 0.00% | \$ 8.93 | - | 0.00% | \$ - | \$0.00% |
| Retail Sales | \$ 9,999,984 | \$ 10,999,982 | 999,998 | 10.00% | \$ 11,026,785 | 1,026,801 | 10.27% | 26,802 | 0.24% |
| GP\$ | \$ 919,744 | \$ 1,011,718 | \$ 91,974 | 10.00% | \$ 1,002,745 | 83,002 | 9.02% | \$ (8,973) | -0.89% |
| GP% | 9.20% | 9.20% | 0.00% | 0.00% | 9.09% | -0.10% | -1.13% | -0.10% | -1.13% |
| Inventory Carrying Costs | \$ 33,758 | \$ 37,133 | \$ 3,376 | 10.00% | \$ 37,266 | 3,509 | 10.39% | \$ 133 | 0.36% |
| Net Profit Contribution | \$ 885,986 | \$ 974,585 | \$ 88,599 | 10.00% | \$ 965,479 | 79,493 | 8.97% | \$ (9,106) | -0.93% |
| % | 8.86% | 8.86% | 0.00% | 0.00% | 8.76% | -0.10% | -1.18% | -0.10% | -1.18% |

NY1 = Next Year w/o program
 NY2 = Next Year w/program

Exhibit #4

ILRT Current Company Contacts

| Retailer/ Manufacturer | Contact Name | Contact Title | Phone |
|--|----------------------------------|---|--------------------------|
| CVS | Ernie Deyle | Vice President, Asset Protection | 401-770-4039 |
| GlaxoSmithKline | Roland Regnier | Vice President Corporate Development | 856-596-4004 |
| Johnson & Johnson Sales & Logistics Co. | Pat Rizzotto | Vice President, Global Customer Initiatives | 908-904-3564 |
| Kmart | Greg Saputo | DVP, Loss Prevention Administration | 248-463-7264 |
| Kodak | Victor Wasilov | U.S. E-Business Manager | 770-522-2514 |
| Kroger | Tim Nelson | Loss Prevention | 513-762-1531 |
| Novartis | Mark Wilson | VP of Drug for Novartis Consumer | 201-405-0243 |
| P&G | Larry Kellam | Director, B2B Supply Network Innovation | 513-983-4171 |
| Pfizer | Frank Maione | VP Trade Relations | 973-385-3709 |
| Rite Aid | Chuck Kibler | Group Vice President, Loss Prevention | 717-975-5715 |
| Target | Amy Forsberg Teresa Lanenberg | Manager, Merchandise Protection (temporary) | ON LEAVE 612-761-7328 |
| Unilever | Jerry Brown | Vice President, Industry and Business Development | 203-596-4004 |
| Walgreens | Jack Donoval | Manager, EAS Tagging | 847-661-2000 |
| Wal-Mart | Brand Elverston Rick Johnson | Director, Loss Prevention Operations Department Director of LP Administration | ON LEAVE 479-277-2728 |
| Wyeth Consumer Healthcare | Gavin Jeffs | AVP Logistics/e-Business | 804-257-2100 |

Exhibit #5

ILRT Frequently Asked Questions

Q1 If we have the manufacturers decide on the best tagging method we may not get everything we want. I don't like fractional tagging for example?

A We are seeking the best total system solution. There are many manufacturing issues like line speed, reliability, additional capital costs, etc. which need to be considered. This will likely mean that different items from the same manufacturer may be handled differently. From the retailer's perspective getting items protected that are not protected today is a big win, even if it is not ideal

Q2 My product is not tagged and it's on the Top 250 List. What should I do?

A If you receive requests to commence tagging, then work with the retailers making the requests to evaluate the most viable and cost-effective method of protection - for example EAS tagging, protective packaging, etc - and put your options through the Decision Support Model to determine viability

Q3 Why was there so much focus on new items?

A Deciding what items need protection and how best and most economically to achieve that before the item is introduced is critical. This allows all the planning, costing, and execution of the protection solution to be in complete when the product comes to market

Q4 Why should we consider cost sharing?

A The costs on both sides of the partnership are real and as with any business solution, they must be identified, calculated, and dealt with by the parties involved if equitable solutions are to be found

Q5 My product is on the Top 250 List but EAS tagging makes no sense from a cost perspective. What do the Guidelines say I must do?

A They don't say you must do anything. If your assertion regarding tagging cost is correct, the Decision Support Model will agree with it. You could also evaluate other protection strategies that may be more cost-effective

Q6 What was the big breakthrough that led to the document?

A Very simply, we looked at the issues as supply chain business issues without all of the emotion, and collaboratively worked through solutions for each. It was the participants' commitment to openly working together on the process and finding a solution that was the breakthrough

Q7 If I have difficulty with the ROI Calculation Model who can I call for advice?

A Call one of the members of the Retail Intelligence Sub-Committee - they are listed in the Guidelines package

Q8 If we know the item is stolen, why is an ROI model needed?

A None of us want to add unnecessary costs to the supply chain, together manufacturers and retailers need to make decisions, which add consumer value. An ROI model will help ensure that true total system cost is considered and that the cost of protection is relevant to the cost of the loss

Q9 ILRT recommends that Retailers share costs of tagging and resultant complexity. Has any standard been agreed?

A No standard has been agreed. There is agreement in principal to the concept of sharing costs. You should collaborate with the affected retailers regarding your proposal, and endeavor to achieve a common agreement