

CONFIDENTIAL

# Steal Back Your Profits! A Practical Approach to Shrink Reduction

Retail Conference  
December 8, 2003

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## **OVERVIEW OF SHRINK MODULE**

- **High-level discussion of shrink**
- **Case study from U.S. small-box specialty retailer**
- **Case study from European hypermarket**

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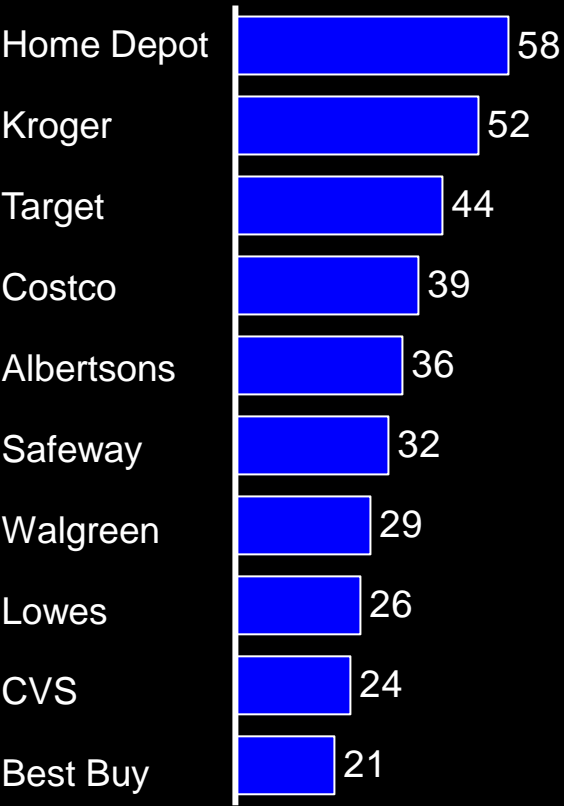
- **Case study from European hypermarket**

# **WHY ARE WE TALKING ABOUT SHRINK, ANYWAY?**

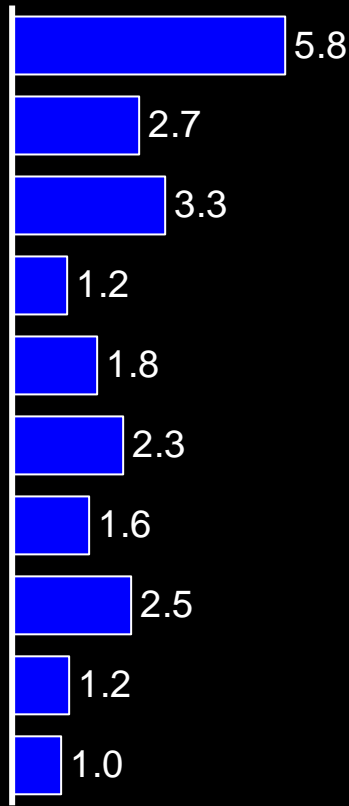
- **Shrink is a huge cost to U.S. retailers, but the traditional approach to shrink reduction has proven to be ineffective – retailers must do something different**
- **Our basic beliefs about shrink are counter-intuitive and reveal some of the reasons why the traditional approach isn't working**
- **We have developed a client-proven 4-step approach that can reduce shrink by 20-30 percent for a typical retailer**

# MARGINS ARE TIGHT FOR RETAILERS...

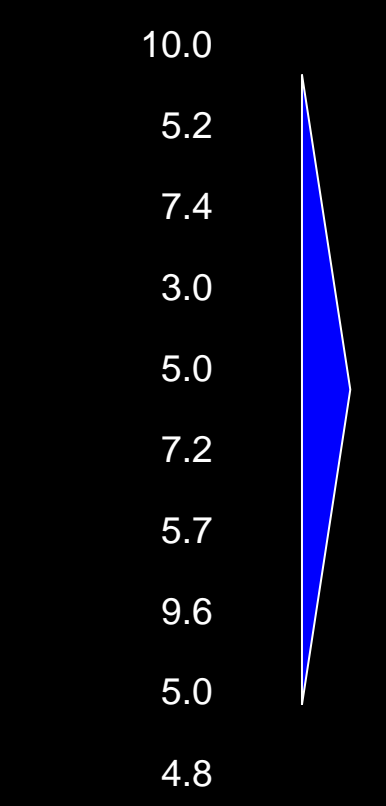
**Revenue**  
\$ Billions



**Operating Margin**  
\$ Billions



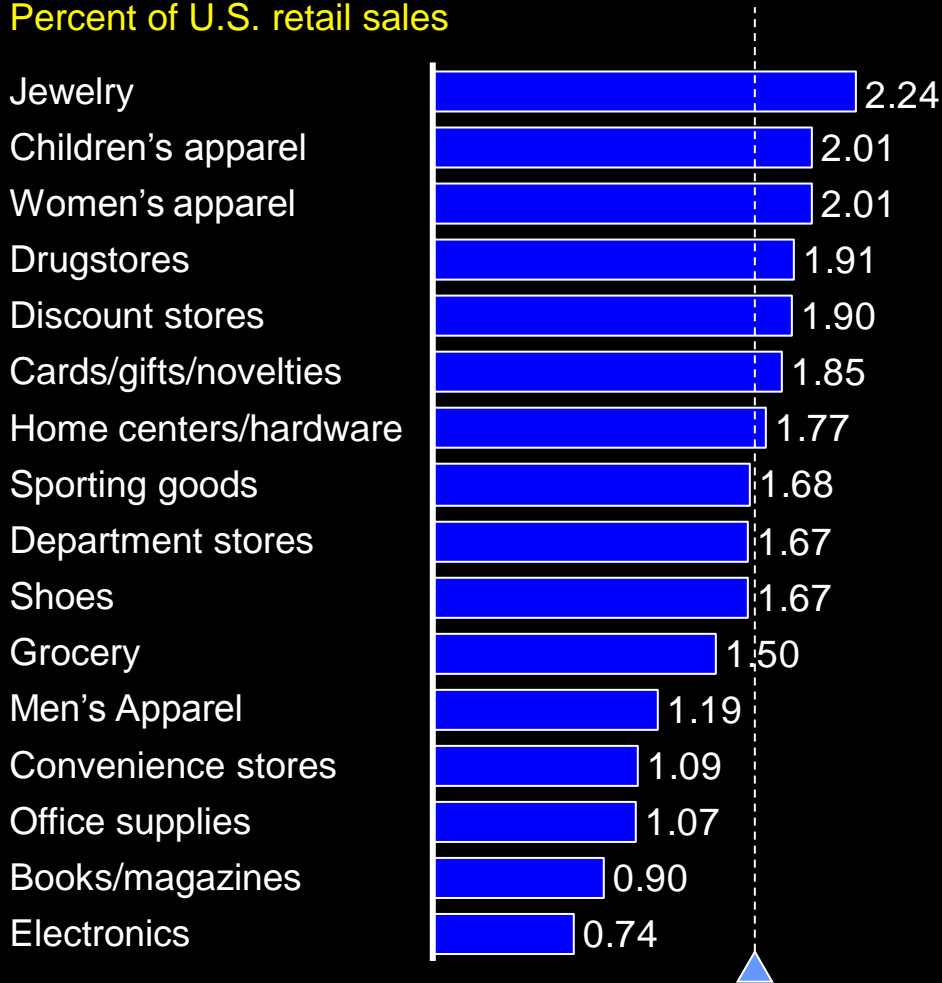
**Operating Margin**  
Percent of revenue



**Average operating margin for all retailers = 5.9 percent of sales**

# ... AND SHRINK HAS SIGNIFICANT IMPACT ON PROFITABILITY

## Shrink by type of retailer Percent of U.S. retail sales

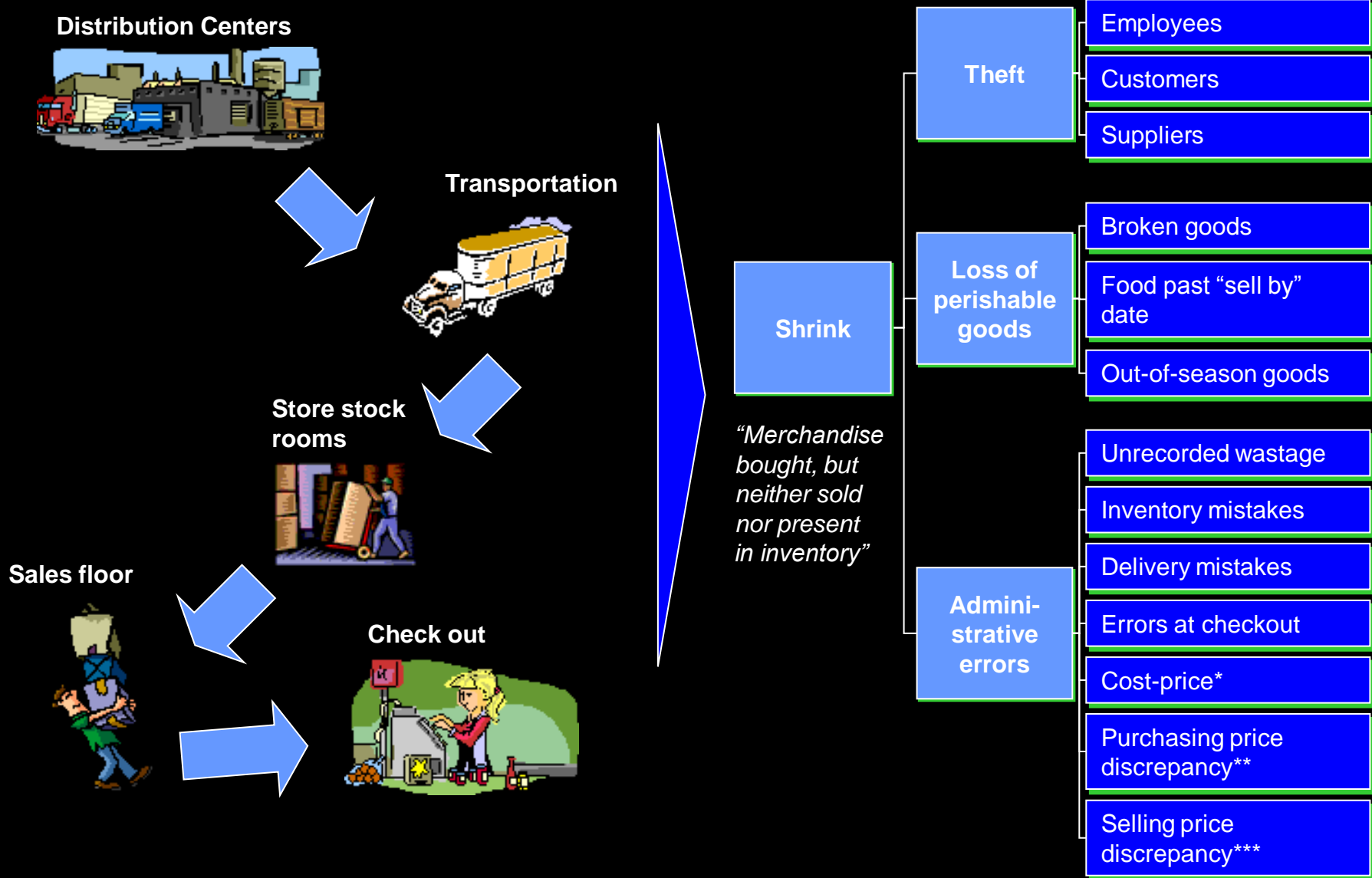


**Average = 1.7  
percent of sales**

- Shrink represents 30 percent of average operating margin
- Cutting shrink in half would increase operating profit by 80 basis points at a typical company
- Impact is even greater in high-shrink categories, like apparel

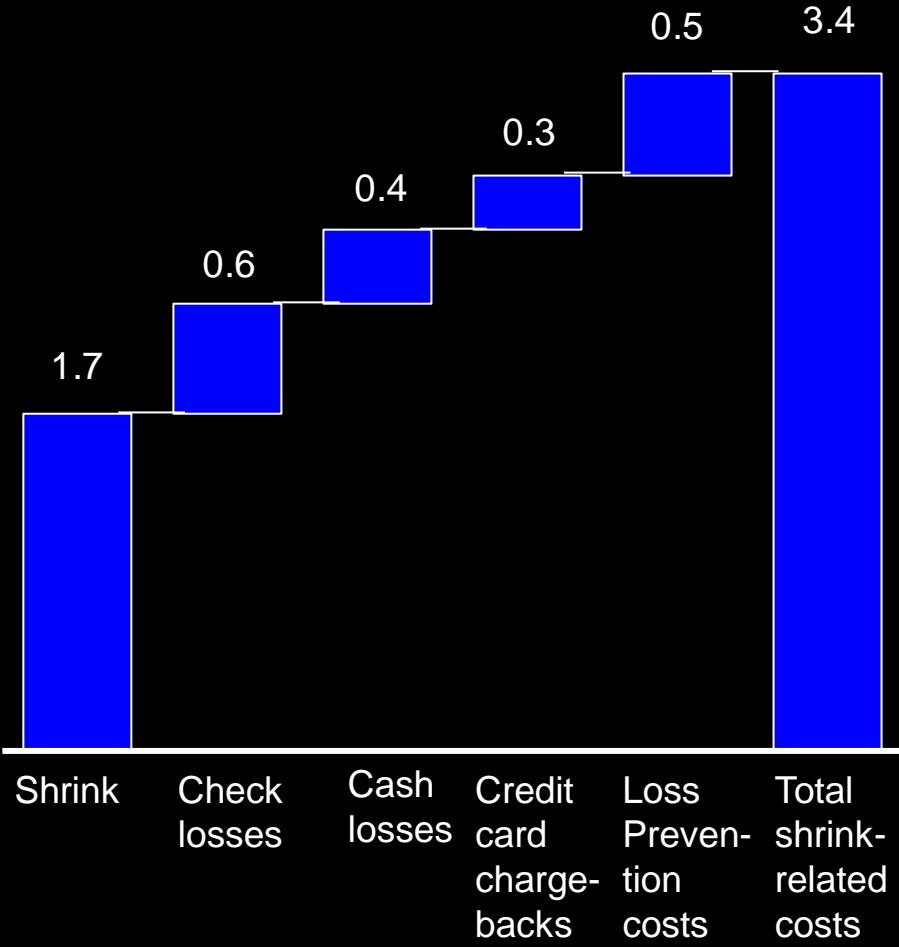
**Retail shrink  
costs over \$30  
BILLION per  
year in the U.S.  
alone**

# SHRINK HAPPENS ACROSS THE SUPPLY CHAIN AND INCLUDES THEFT, SPOILAGE, AND ADMINISTRATIVE ERRORS



# TOTAL COST OF SHRINK INCLUDES MORE THAN JUST STOLEN PRODUCT

Percent of U.S. Retail sales



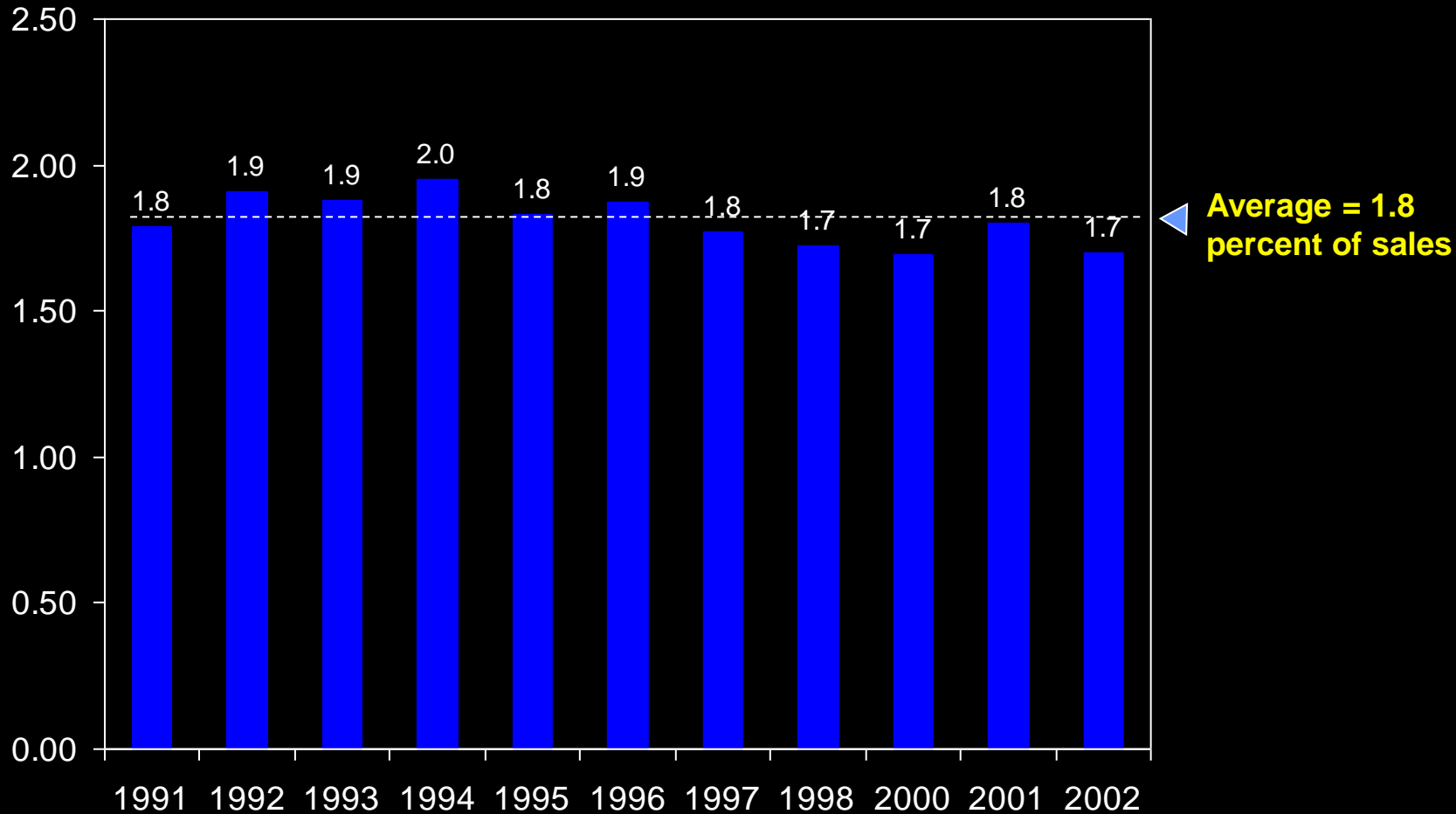
Total cost of shrink is \$60 billion per year in the U.S.

Reducing shrink by 20-30 percent across the U.S. retail industry would create \$200-300 billion in stock market value\*



# THE RETAIL INDUSTRY HAS PROVEN ITSELF INCAPABLE OF FUNDAMENTALLY REDUCING SHRINK OVER THE LAST DECADE

**Shrink**  
Percent of U.S. retail sales\*



# OUR BASIC BELIEFS FLY IN THE FACE OF CONVENTIONAL WISDOM

## Conventional wisdom

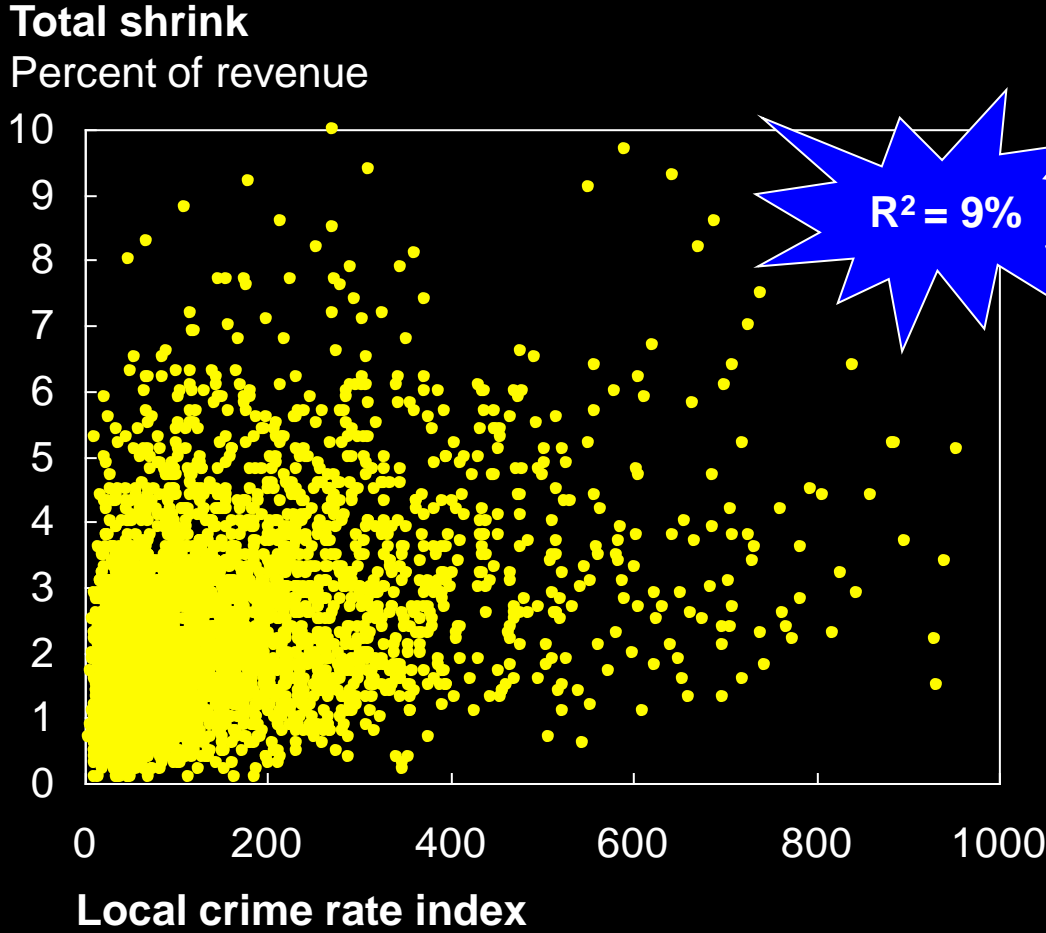
- **Shrink is the result of local crime rates**, so there is nothing we can do about it
- Most of our shrink is from **“professional” shoplifters and burglaries**, and we can’t stop them
- We need to **spend more money** on Loss Prevention and security measures in order to reduce shrink
- We have to **get tough on district managers** with high shrink
- What we really need is **another company-wide shrink program**
- **We already have a Loss Prevention department** that is responsible for controlling shrink

## Our basic beliefs

1. Local crime rates don’t correlate with high shrink
2. Roughly 70 percent of shrink is thought to be internal or administrative
3. There is little correlation between security expenses, scores on Loss Prevention audits and shrink; many security measures are not cost-justified
4. Shrink needs to be addressed at the store level, with support from the district manager
5. The best way to reduce shrink is to start with the “ugly” stores first
6. Shrink is too important to be handled by Loss Prevention alone – it requires an end-to-end approach and top management involvement

# 1. LOCAL CRIME RATE EXPLAINS ONLY A SMALL PART OF VARIATION IN SHRINK ACROSS STORES

DISGUISED CLIENT  
EXAMPLE



# 2. MOST SHRINK IS THOUGHT TO BE INTERNAL OR ADMINISTRATIVE – NOT THE SHOPLIFTING IT'S MOST OFTEN ATTRIBUTED TO

Percent of sales

Administrative error



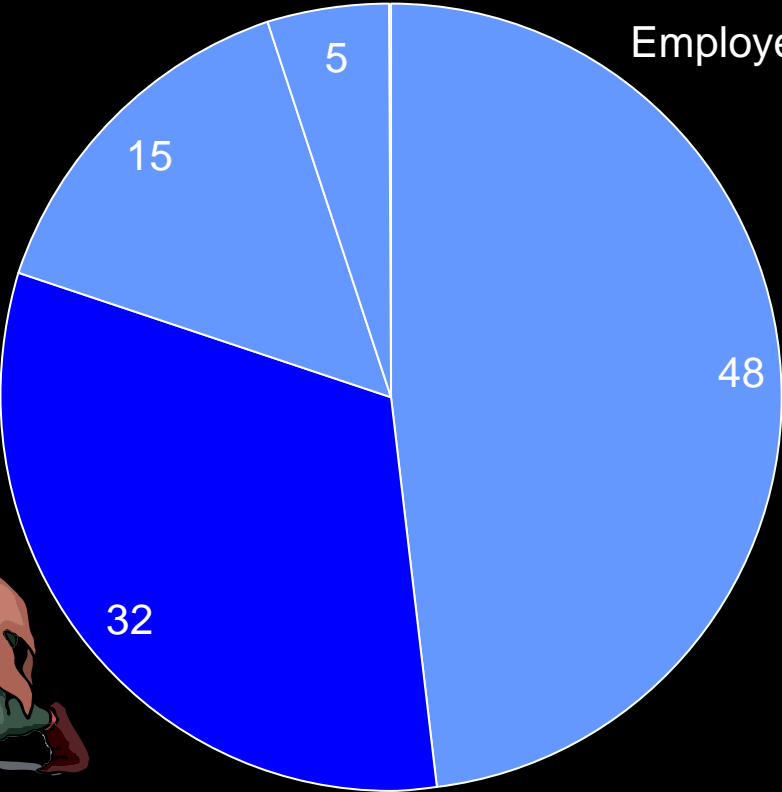
Vendor error/fraud



Shoplifting



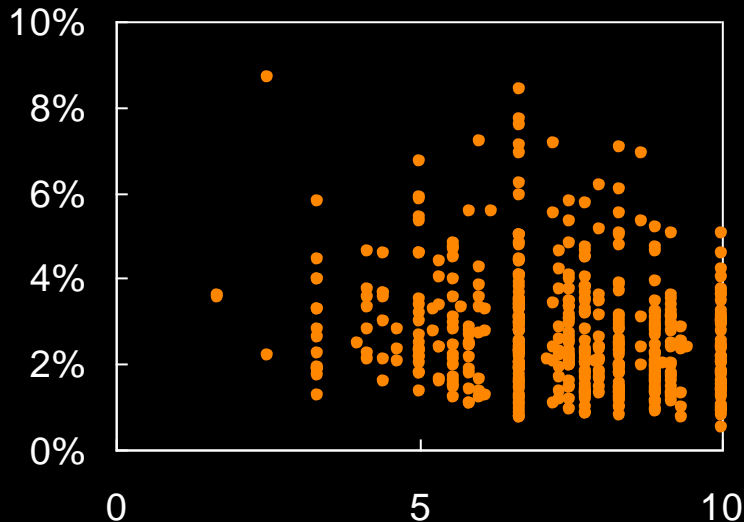
Employee theft



### 3. MORE “SECURITY” IS NOT ALWAYS THE BEST ANSWER – DISGUISED CLIENT EXAMPLE

INVESTMENTS IN LOSS PREVENTION SHOULD RECOGNIZE TRADE-OFF BETWEEN COST AND IMPACT ON SHRINK

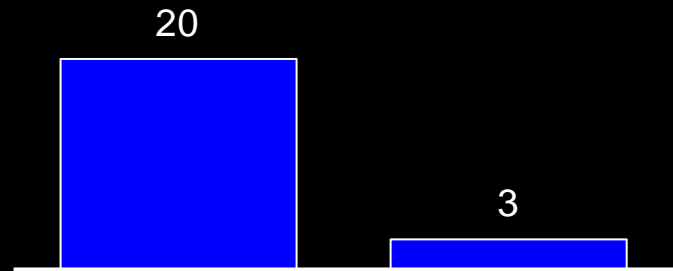
**Total shrink**  
Percent of revenue



**Loss Prevention audit score**  
(score range is 0 to 10)

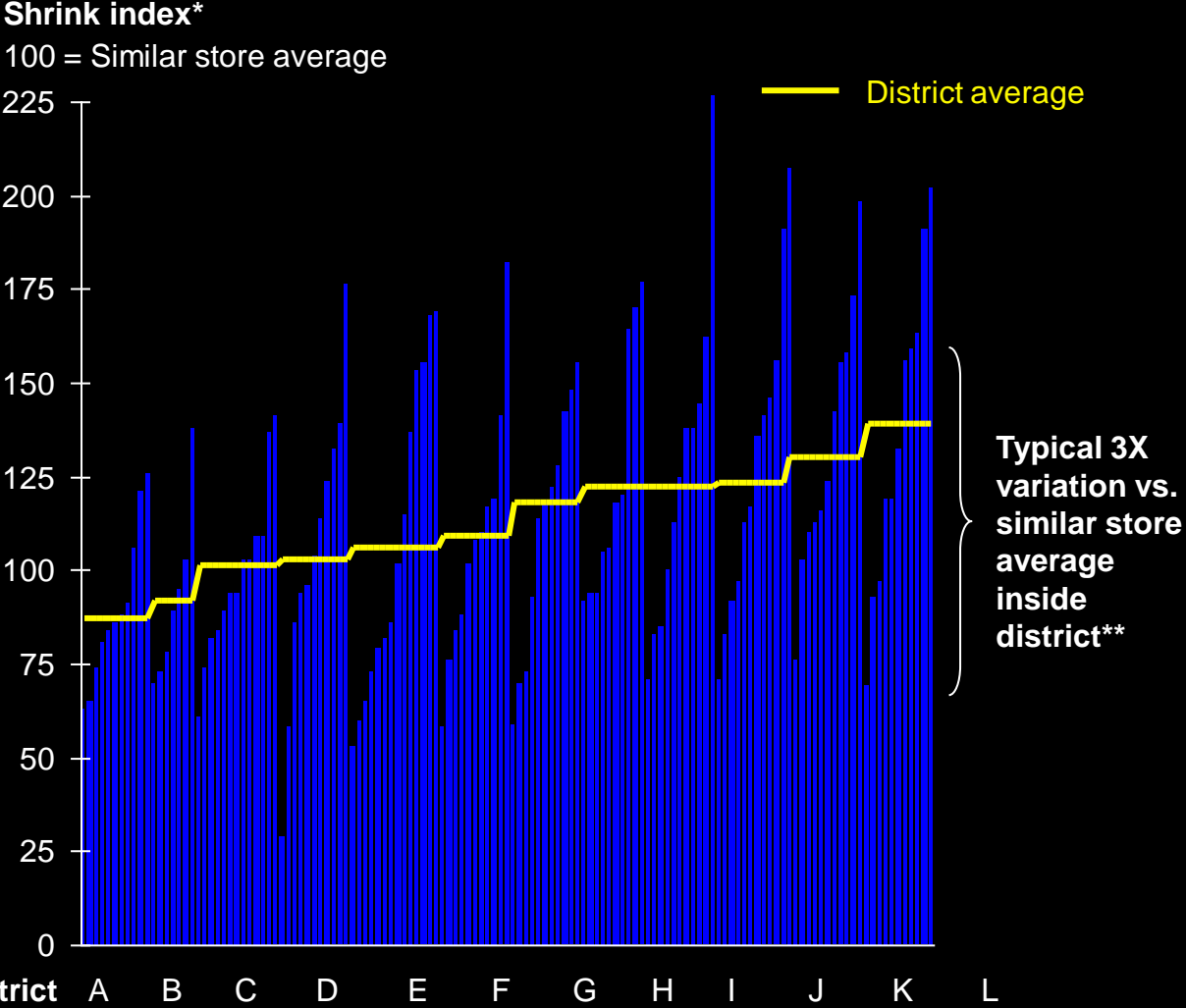
- Low correlation between audit score and shrink ( $R^2 = 8\%$ )
- Current annual Loss Prevention spending = \$30 million

**Technology cost/benefit**  
\$ millions



- Shrink in stores with new anti-theft sensors was 0.10 percent lower than other stores
- Potential benefit does not justify investment in new technology

# 4. SHRINK IS A STORE-SPECIFIC ISSUE AND MEASUREMENTS AT THE DISTRICT LEVEL CAN DISGUISE THE REAL PROBLEM



**Shrink varies by 5x across stores, even after accounting for major external factors**

**Possible causes**

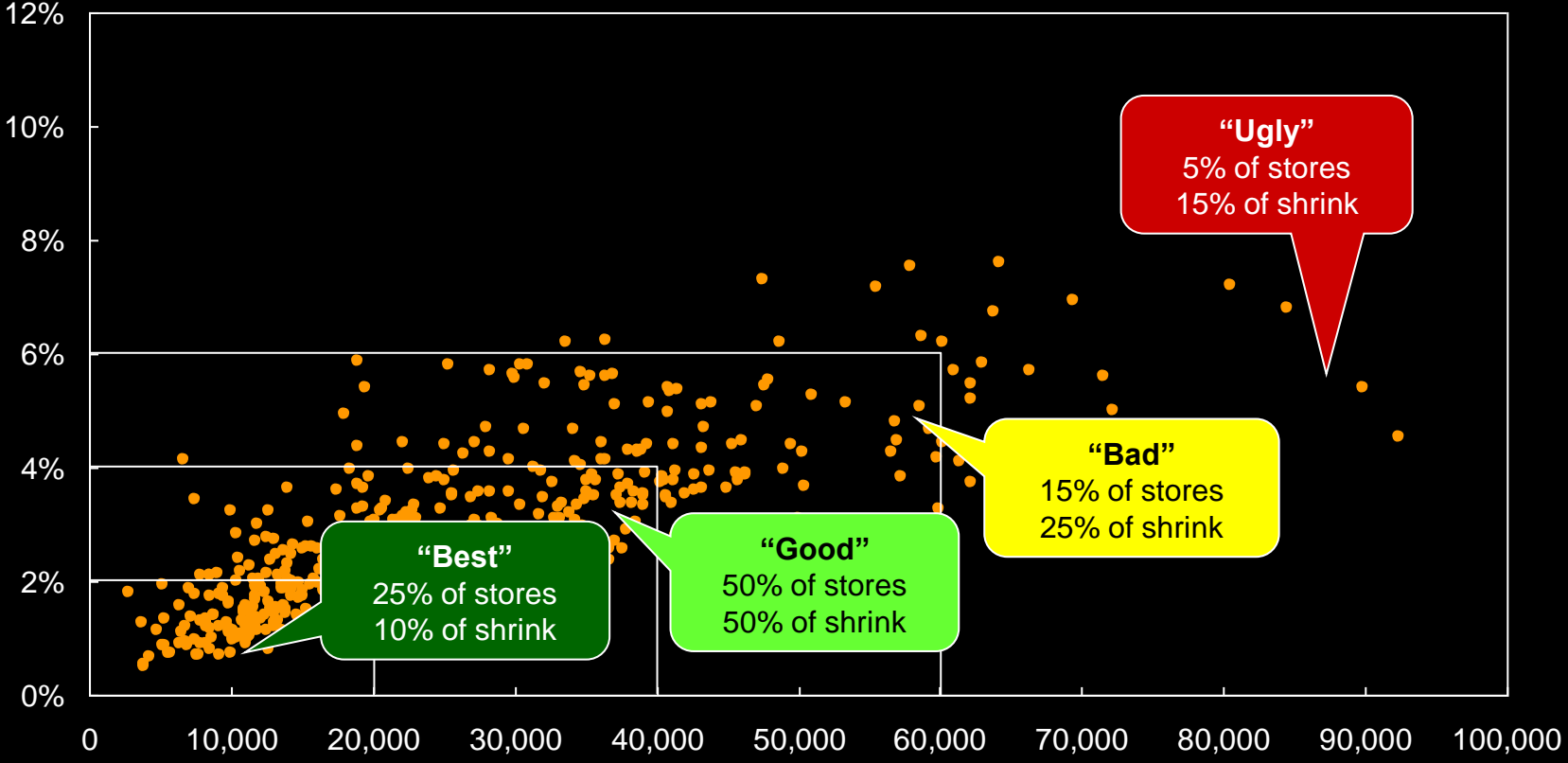
- District managers implicitly ignore the “ugly” stores – “Everyone knows that those stores just have high shrink”
- One or two dishonest employees can cause a tremendous amount of damage
- External factors (e.g., crime rate) may have some impact, but they do vary by store

# 5. THERE IS TREMENDOUS VALUE IN FOCUSING ON THE "UGLY" STORES FIRST

DISGUISED CLIENT  
EXAMPLE

## Total shrink

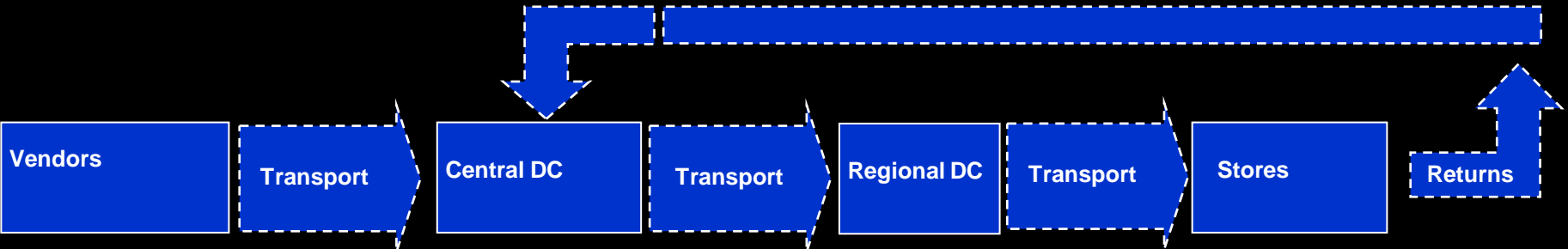
Percent of revenue



Total shrink  
Dollars

# 6. LOSS PREVENTION TYPICALLY FOCUSES ON STORE SHRINK AND IGNORES OTHER IMPORTANT AREAS...

Primary LP focus



**“Paper” shrink**

- Actual units in order do not match invoice
- Number of boxes on shipping manifest is overstated
- Units of one SKU are received as another SKU
- Product is put away in wrong location
- Actual units picked do not match order
- Store number is misread and sent to regional DC
- Box of product sent to wrong store
- ASN indicates wrong number of boxes in shipment
- Store number is misread and sent to wrong store
- Units of one SKU are received as another SKU, or as different quantity
- Product scanned as “unsaleable” but not destroyed
- Markdown taken on missing product before being logged out to shrink
- Saleable product returned as defective
- Product scanned to “returns” or “transfer” but not sent

**Physical shrink**

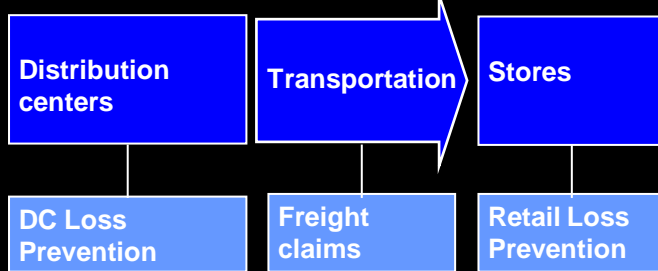
- Theft from vendor shipping dock
- Boxes crushed during transit
- Driver steals box or opens box and steals a few units
- Employee or contractor steals product from shipping dock or storage area
- Pallet is dropped or speared by forklift
- Boxes crushed during transit
- Driver steals box or opens box and steals a few units
- Product is damaged by forklifts in regional DC
- Boxes opened and product removed by regional DC employees or contractors
- Boxes crushed during transit
- Driver steals box or opens box and steals a few units
- Shoplifting
- “Smash and grab” burglary
- Employee passes product to accomplice
- Cash theft
- Credit/coupon fraud/abuse
- Employee steals product after is is logged out to returns
- Driver steals box or opens box and steals a few units



# ... THUS SHRINK CANNOT BE MANAGED BY MULTIPLE DISCONNECTED LOSS PREVENTION GROUPS

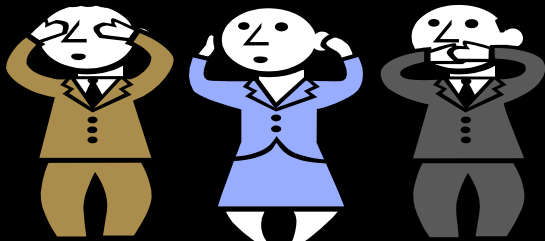
Loss Prevention

## Typical Loss Prevention Organization

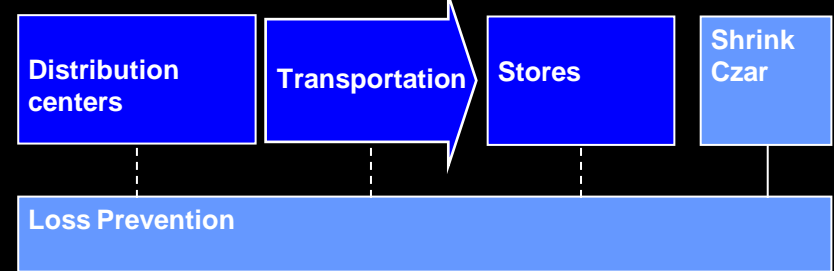


### Typical role of Loss Prevention

- Primary focus is personal safety (e.g., lifting techniques, falls)
- Provides physical security at DCs (guards, cameras)
- Not accountable for or measured on DC shrink
  - Theft
  - Damaged products
  - Vendor errors/fraud
- Primary focus is filing claims against carriers for missing shipments
- Carry out periodic freight carrier inspections
- Not accountable for missing product or un-paid claims
- Primary focus is legal compliance and preventing shoplifting
- Provide security tags and cameras in stores
- Accountable for store shrink



## Recommended Loss Prevention Organization



### Typical role of Loss Prevention

- Primary focus is reducing end-to-end shrink
- Shrink Czar reports to CEO/CFO/COO
- Shrink Czar is responsible for all aspects of shrink, including internal and external theft, damages, and spoilage
- Operating unit leaders are measured and responsible for specific parts of shrink that take place in their areas



# SO, YOU WANT TO DO SOMETHING ABOUT SHRINK – WHERE DO YOU START?

## Gather a fact base

### Components of shrink

### Shrink control costs

### Shrink by product and root cause

10	15	2.5	15	10
2	3	0.5	3	2
5	2	3	4	2
5	2	3	4	2
35	20	60	10	15
3.5	2	6	1	1.5
4	2	16	2	0
1	0.5	4	0.5	0

### Shrink by store

### Employee shrink attitude surveys

- Employee definition of shrink
- Perception of shrink levels in your store
- Other...

### Peer group analysis

## Diagnose the opportunity with a “Shrink EPR”

- Common definition of shrink exists
- Reported shrink includes all components
- Clear accountability for shrink at operating and corporate level
- Loss Prevention focuses on internal and external shrink
- Information flows match physical flows
- No uncontrolled handoffs between operating units
- Store shrink is measured relative to comparable stores
- Line employees are trained and held accountable for shrink
- Shrink control investments trade off costs and benefits

	0	1	2	3
Common definition of shrink exists		●		
Reported shrink includes all components		●		
Clear accountability for shrink at operating and corporate level		●		
Loss Prevention focuses on internal and external shrink			●	
Information flows match physical flows		●		
No uncontrolled handoffs between operating units		●		
Store shrink is measured relative to comparable stores	●			
Line employees are trained and held accountable for shrink			●	
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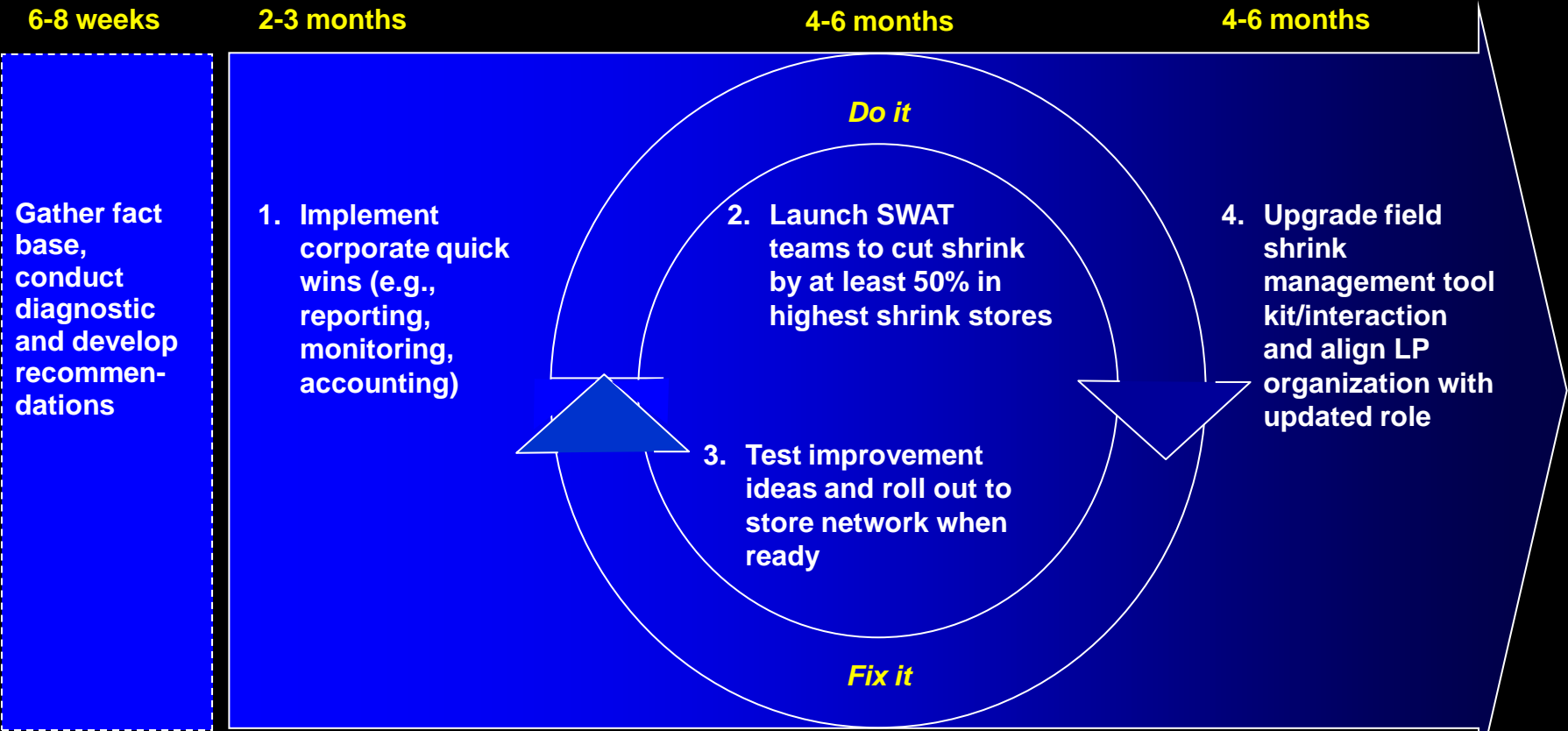
## OVERVIEW OF SHRINK MODULE

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- **Case study from European hypermarket**

# WE USED A TARGETED 4-STAGE APPROACH TO CAPTURE THE SHRINK IMPROVEMENT OPPORTUNITY IN THE VERY NEAR TERM AT A SMALL-BOX SPECIALTY RETAILER

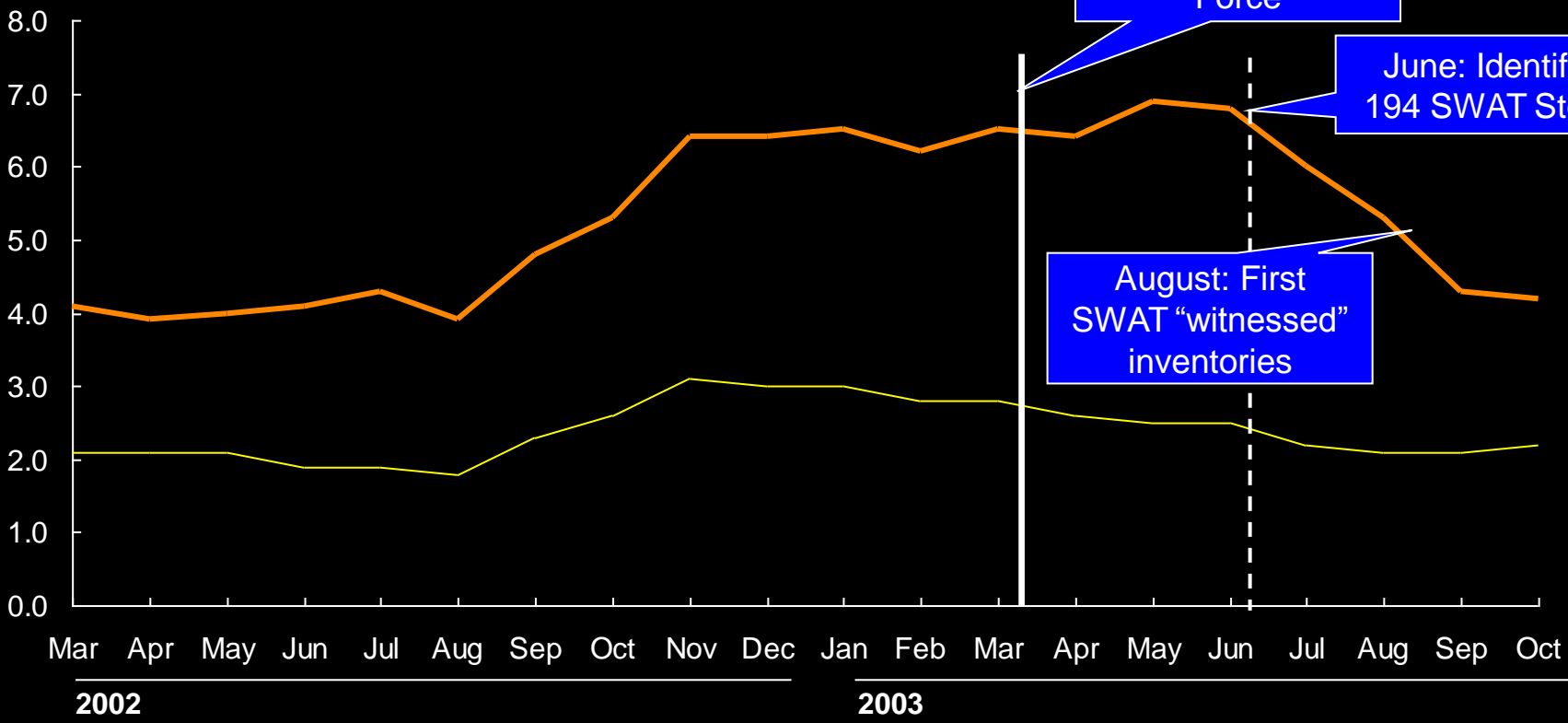


**Client experience has shown 50+ percent shrink reduction in the pilot phase – on-track to achieve 20-25 percent overall shrink reduction**

# TOTAL SHRINK HAS BEEN REDUCED BY 20-25 PERCENT COMPANY-WIDE AND BY 50 PERCENT IN SWAT TEAM STORES

— Company average  
— SWAT team stores

**Total shrink**  
Percent of TNR  
Rolling 3m



**Annual savings for client: \$20-25 million**

# 1. TYPICAL CORPORATE QUICK WINS IMPACT ACCOUNTING, MONITORING, AND REPORTING

## Accounting

- Apply uniform unit value to shrink units at different points in supply chain
- Charge known DC shipping errors as shrink to DC
- Establish “internal vendor shrink allowance” for stores to account for DC picking errors and remove excuses at store level

## Monitoring

- Create standard tool to automatically detect signs of inventory manipulation and generate “Red Flags”
- Create standard tool to monitor performance of major shrink initiatives

## Reporting

- Create overall shrink report that includes all elements of shrink from the DC to the stores
- Explicitly include store transfer control shrink in field reporting
- Include units lost to shrink in store P&L (as well as value)

## Implementing quick wins has significant indirect impact on shrink reduction

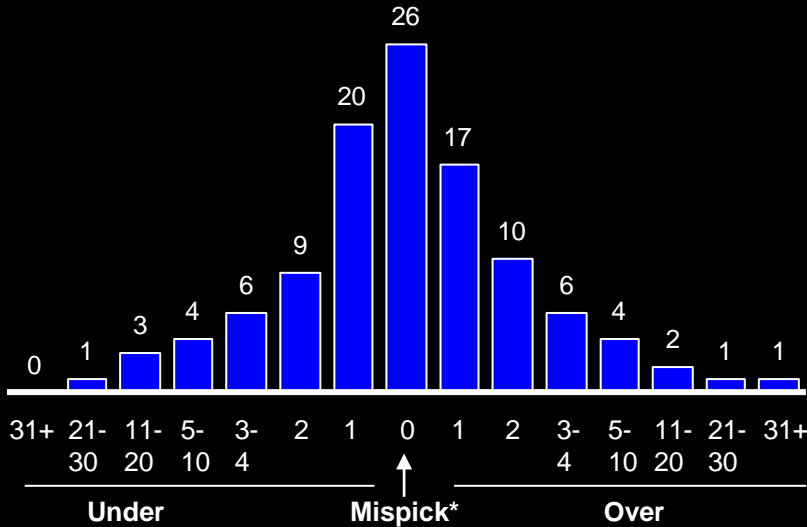
- Increased reliability of reported shrink
- Increased visibility into amount of shrink across the company
- Increased accountability at DC and store level
- Increased awareness through better communication to the field

# 1. ESTABLISH DC SHRINK ALLOWANCE TO ELIMINATE EXCUSES FOR STORE SHRINK

DISGUISED CLIENT  
EXAMPLE

## Audit of actual DC packing accuracy

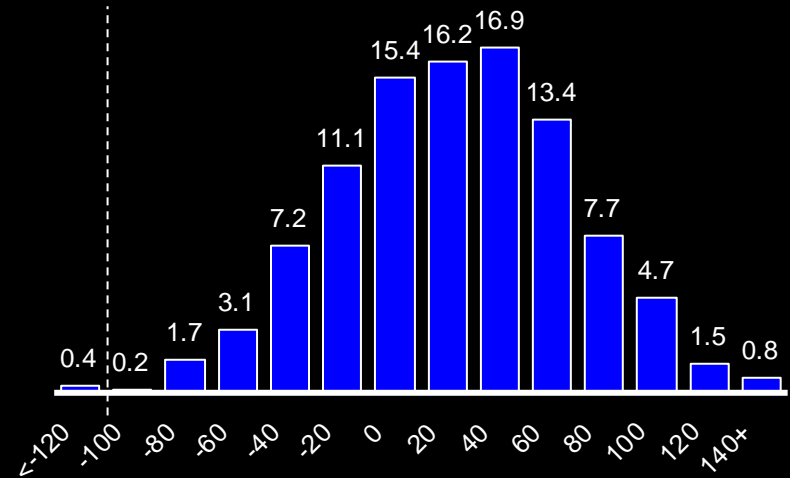
Percent of DC errors



Difference between actual box contents and ASN  
Number of units

## Simulation of impact on typical store

Percent of stores\*\*



Annual difference between actual inventory and ASN  
Number of units

- Simulation reveals that 99.5 percent of stores are no worse off than 100 units short of all products over an entire year
- This represents approximately 0.1 percent of sales for a typical store
- This should be set as an internal "shrink allowance" to eliminate excuses for high shrink at store level

## 2. WE LAUNCHED A SHRINK SWAT TEAM TO FOCUS ON THE WORST STORES

### What it is . . .

### What it is not . . .

#### Scope

- Focused effort in 200 stores with shrink 2x higher than company average

- Broad effort across all stores

#### Objective

- Cut shrink in half in 4 months with no reduction in revenue

- Reduce shrink to company average in worst-performing stores

#### Approach

- Start process in one region (10 stores) to refine process and train team members
- Roll out to all 200 stores within 2 months of launch
- Explicitly over-ride alternative priorities in stores
- Beginning and ending inventory is validated
- High degree of store manager coaching and development
- Weekly follow-up with store and District Leader
- Explicit plan to “make it stick”

- Additional priority on top of existing work load
- Things done “to” the store management team vs. “with” the DL and store management team
- Ad hoc effort that will disappear in a couple of months

#### Resources

- Up to \$1 million to invest in resources, physical countermeasures, increased operating costs, and incentives
- Full-time team leader (Regional manager level – not from Loss Prevention)
- 4 full-time LP coaches (1 per area)
- Part-time HR, District Leader support as needed
- 1 analyst (part-time) to support monitoring and reporting

- Reducing shrink without investing money and people to tackle root causes
- Part-time support by Loss Prevention
- Driven by LP without field management involvement or buy-in



## 2. STORE SWAT TEAMS VISITED STORES AND DEVELOPED SPECIFIC STORE ACTION PLANS

### A. Pre-work

#### SWAT team

- Utilize peer metrics and deep dive reports to “paint a picture” of shrink in the store

#### Store team

- Conduct full inventory with support (e.g., SWAT team member, LP coach, District Leader) present

#### HR

- Start hiring and training replacement employees

### B. Store visit

#### Store performance reviews

- Review compliance with key operational standards
  - Accurate receiving
  - Pre-inventory compliance
  - Post-inventory report verification
  - Product organized on sales floor and in back room

#### Employee reviews

- Hold individual discussion with every employee to gain insights into causes of shrink in the store
- Coach employees to develop basic financial understanding

#### Reporting

- Revise store-level inventory reporting to include “Red Flag” reports

### C. Action plan

- Specific training and hiring plan
- Specific store- and product category-specific objectives
- Specific counter-measures
- Follow-up plan by DL and SWAT team (e.g., weekly visits, calls)

### 3. EXAMPLE IMPROVEMENT IDEAS FOR DETAILED TESTING

#### Topic

#### Improvement idea to test

##### High-shrink categories

- Re-merchandise product category that has very high shrink (e.g., razor blades, DVD box sets)
- Evaluate cost/benefit of taking high-shrink categories “dead” (i.e., lock product in case – often seen with cigarettes, video games, high-end portable electronics)
- Improve “dead product” operating processes using lean approach

##### Product security

- Evaluate cost/benefit of product security measures (e.g., lock boxes, “cages”)
- Test effectiveness and rationalize investment in electronic security (EAS) systems

##### Management processes

- Test dedicated “inventory teams” that move between stores conducting inventories and training store managers in inventory audit techniques
- Modify employee bonus plan to include shrink gain-sharing or other incentive

## 4. HELP FIELD BETTER MANAGE SHRINK BY CREATING TOOLKIT TO INCORPORATE INTO DAY-TO-DAY MANAGEMENT

### Build shrink management toolkit

- Create set of specific shrink management tools for field management teams (Regional, District, Store level)
  - Updated reporting tools using “peer metrics” to highlight shrink issues and improvement opportunities
  - Best practices around shrink management
  - Problem solving tools to address specific shrink issues (e.g., employee reviews, operational process audits)

### Roll out to field

- Develop field training materials that introduce shrink toolkit
- Hold District Manager training sessions to practice using shrink toolkit to address specific shrink issues
- Involve Loss Prevention coaches in field rollout

### Reinforce with appropriate incentives

- Evaluate opportunities to modify store management incentive plan to reinforce need for aggressive shrink management
  - Shrink performance becomes a “bonus multiplier” (e.g., store managers’ entire bonus is contingent on shrink performance)
  - Implement “gain sharing” plan for field managers (e.g., shrink improvement savings shared)

## 4. ALIGN LOSS PREVENTION ORGANIZATION WITH IMPROVED APPROACH TO SHRINK MANAGEMENT

### Current situation

#### Loss Prevention Managers

- Loss Prevention Managers spend about 20 percent of their time coaching and training store managers and DLs on shrink reduction techniques
- Majority of LPM time is spent reacting to losses (e.g., crime, investigations) and performing administrative tasks



### Recommendation

- Redefine role of LPM to be a coach for DLs and store management teams on shrink prevention
- Increase time available for LP Coaches to train/ coach by reducing need for custom report creation by utilizing standard red flag, exception, and peer metric reports

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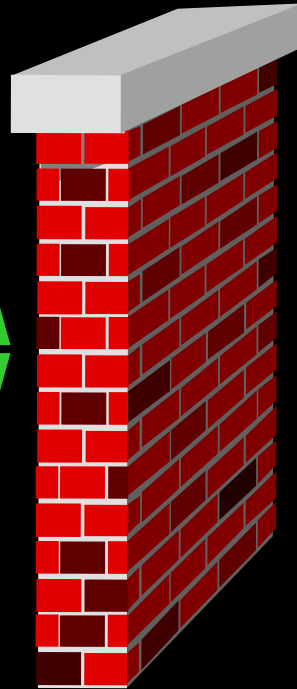
# CASE EXAMPLE – EUROPEAN MULTI-CATEGORIES RETAILER

% of sales, 2002

Aggressive  
2003 EBIT  
growth target

- Leading retailer facing a **significant deterioration of S&W indicators**
- S&W went up 20% CAGR\* over 3 years (1.81% to 2.62%)

- **Several large organizational changes** have affected operational execution
- **No clear idea at store staff level** on how to address S&W
- **Fatalism and preconceived ideas**



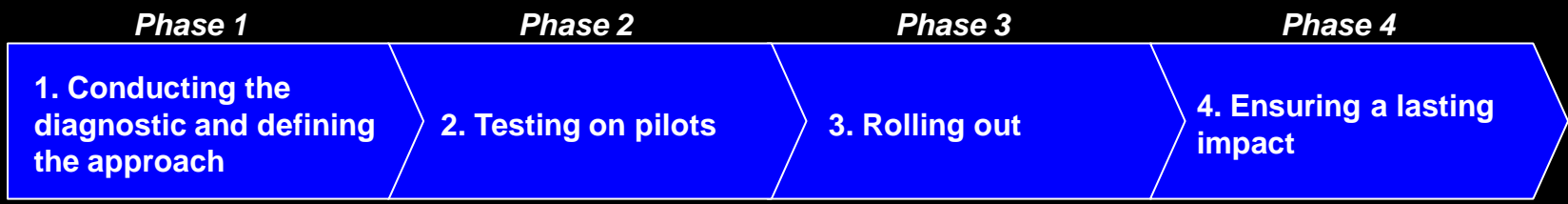
- **Top management decision** to launch a project involving McKinsey and client teams to **develop, test and refine practical solutions**

- **3 phase project:**
  - Phase 1: conduct a diagnostic on selected stores
  - Phase 2: pilot on 8 stores representative of the network
  - Phase 3: roll-out lead by internal champions

**Achieved impact**

**50 M€ in 2003**

# OVERALL APPROACH FOLLOWED



**Main end-products**

- |  |  |   |   |
|--|--|---|---|
| <ul style="list-style-type: none"> <li>• First assessment of major shrinkage sources</li> <li>• Definition of problem perimeter with the organization</li> <li>• Preliminary assessment of potential gains</li> <li>• Key levers to reduce shrinkage identified</li> </ul> | <ul style="list-style-type: none"> <li>• Test, improvement and validation of the approach on pilot sites</li> <li>• Formalization of high-impact actions and best practices at store level and per type of department</li> <li>• Validation of the improvement potential for the organization</li> </ul> | <ul style="list-style-type: none"> <li>• Definition of store/department objectives</li> <li>• Roll-out of the approach (all stores)</li> <li>• Development of the shrinkage/wastage knowledge and competences of store teams</li> </ul> | <ul style="list-style-type: none"> <li>• Regular communication</li> <li>• Durability the approach and focus on priorities</li> <li>• Training of new store employees</li> <li>• Sharing of experiences</li> <li>• Updating/upgrading of tools</li> <li>• Effective control of the actions/results</li> <li>• Rewards/sanctions</li> </ul> |
|--|--|---|---|

**Tools used**

- |  |  |  |  |
|--|--|--|--|
| <ul style="list-style-type: none"> <li>• Methods to identify top priority stores and departments</li> <li>• "3 key analyses"</li> <li>• Assessment of practices through interviews and site visits</li> <li>• Database of shrinkage rates per store/warehouse</li> </ul> | <ul style="list-style-type: none"> <li>• "Roadmaps" and action plans</li> <li>• Inventories and other KPI</li> <li>• "Shrinkage committees"</li> </ul> | <ul style="list-style-type: none"> <li>• Training kits</li> <li>• "Imposed figures"</li> <li>• "Shrinkage committees"</li> </ul> | <ul style="list-style-type: none"> <li>• "Control checklists"</li> <li>• Inventories and KPIs</li> <li>• "Shrinkage committees"</li> <li>• Performance reviews</li> <li>• Existing communication, people &amp; performance management processes</li> </ul> |
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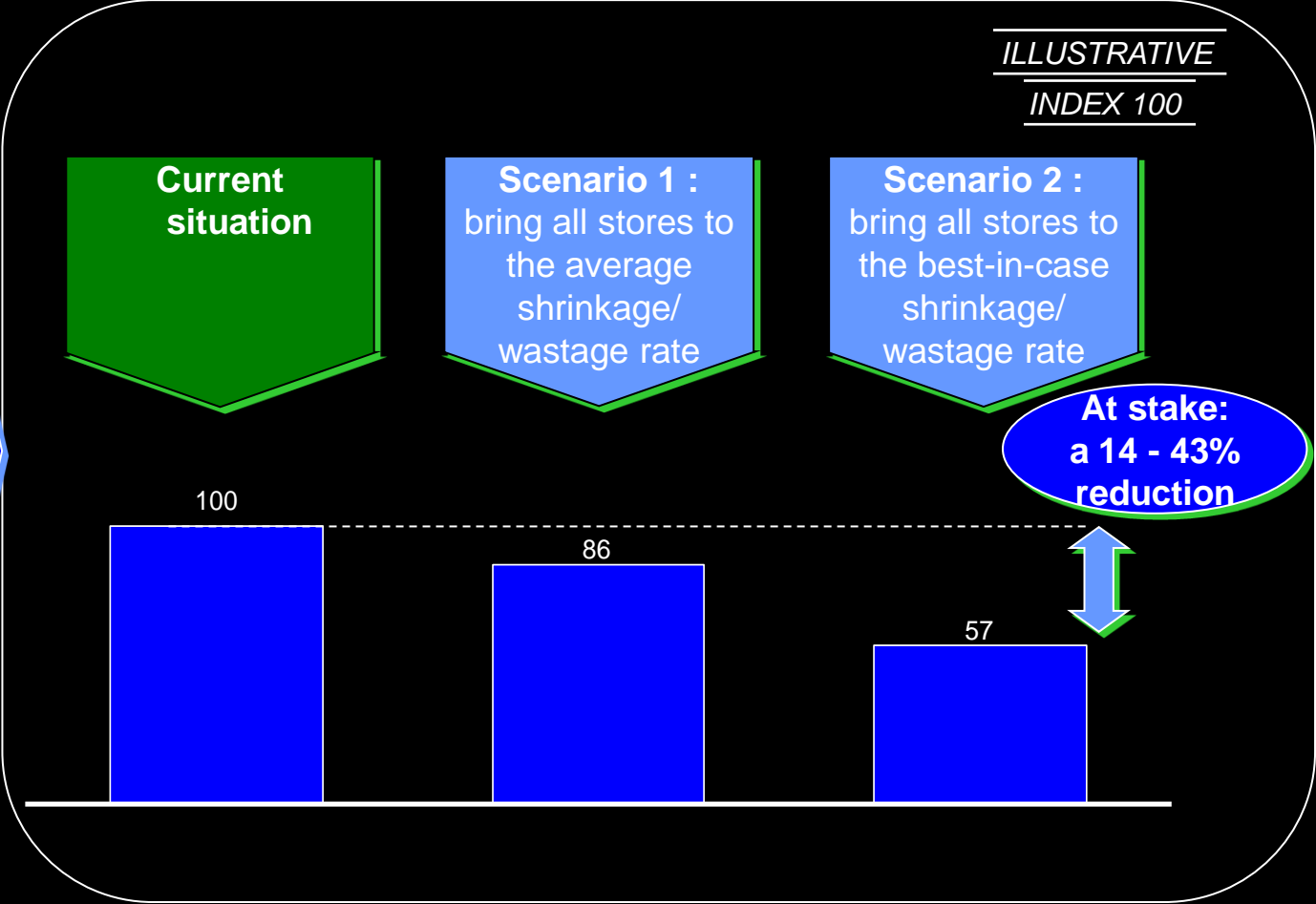




# TOP-DOWN ASSESSMENT OF THE REDUCTION POTENTIAL



Preliminary and rough top-down assessment of the reduction potential, based on internal and external benchmarking (ideally with similar format and environment scopes)



# KEY ELEMENTS OF THE PILOT PHASE

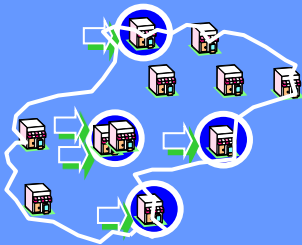


## The team



- A mixed client/McKinsey team, 100% dedicated to the project
- Client team members with strong analytical skills and a good knowledge of store systems and procedures
- Strong involvement of the store management teams (20% of their time) and managers of the priority departments (40% of their time)

## The stores/ warehouses



- Closing a store sample that both ensures a valid statistical approach taking into account the risks, and allows a one-day visit per store and per week by the team
- Selecting a balanced mix of stores (large and small), with different types of environments/issues, and located in different areas

## The approach

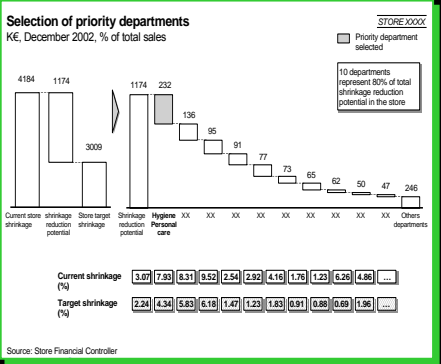


- Implementing of a fact-based, iterative and pragmatic approach with store employees, e.i. designing corrective actions based on quantitative analyses, testing them, measuring the impact and formalizing the learnings
- Focusing on:
  - Store cross functional actions (e.g., wastage scanning)
  - 5 priority departments (usually representing 60 to 70% of the store wastage/shrinkage improvement potential)
- Having the project team spend one day minimum per store and per week to work with the store management and priority department managers

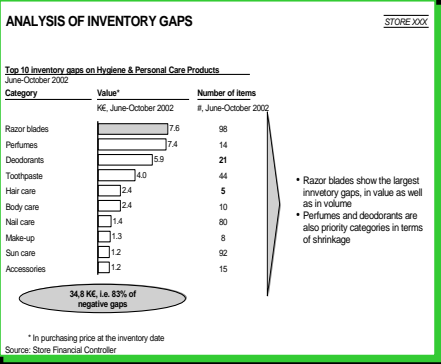
# EXAMPLE OF A DEPARTMENT-SPECIFIC APPROACH TO REDUCE THEFT



1. Among all departments, the Hygiene & Personal care holds a significant shrinkage reduction potential...



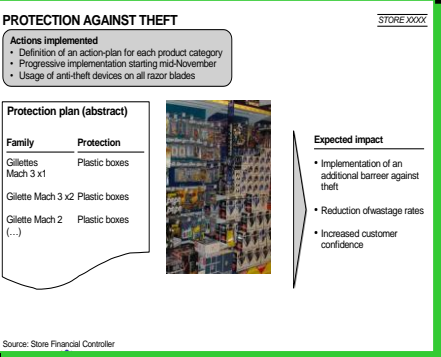
2. ... within this department, a preliminary analysis reveals that razorblades have high shrinkage rates



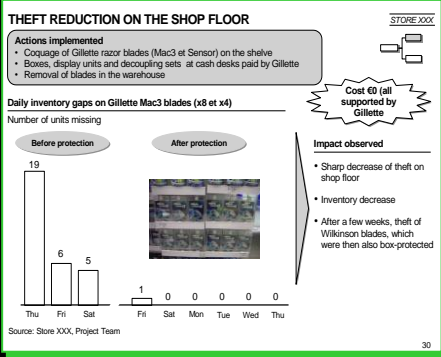
3. The hypothesis of client theft is voiced during various interviews...



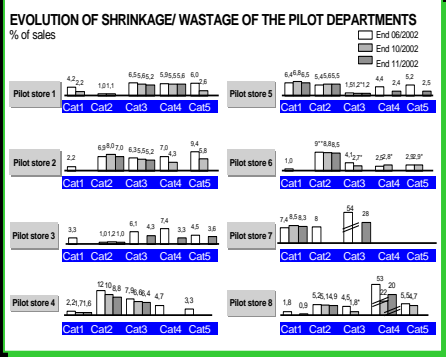
4. ... the decision to take action to protect Gillette razorblades is taken...



5. ...and daily measures validate both each hypothesis and action...



6. ...further analysis will show increased theft on Wilkinson blades, which will be also protected



# EXAMPLE OF A CROSS-DEPARTMENT APPROACH TO REDUCE VOLUME DISCREPANCIES



1. Over several interviews, errors in the delivery were mentioned as a primary source of shrinkage ...



2. ...the team decided to measure the importance of delivery errors...



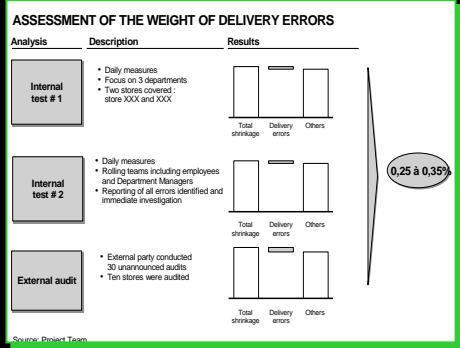
3. ...tests were conducted internally, and external parties performed several audits...



4. ... in parallel, the delivery procedures application was assessed



5. Results showed that delivery errors accounted for nearly 10% of total store shrinkage

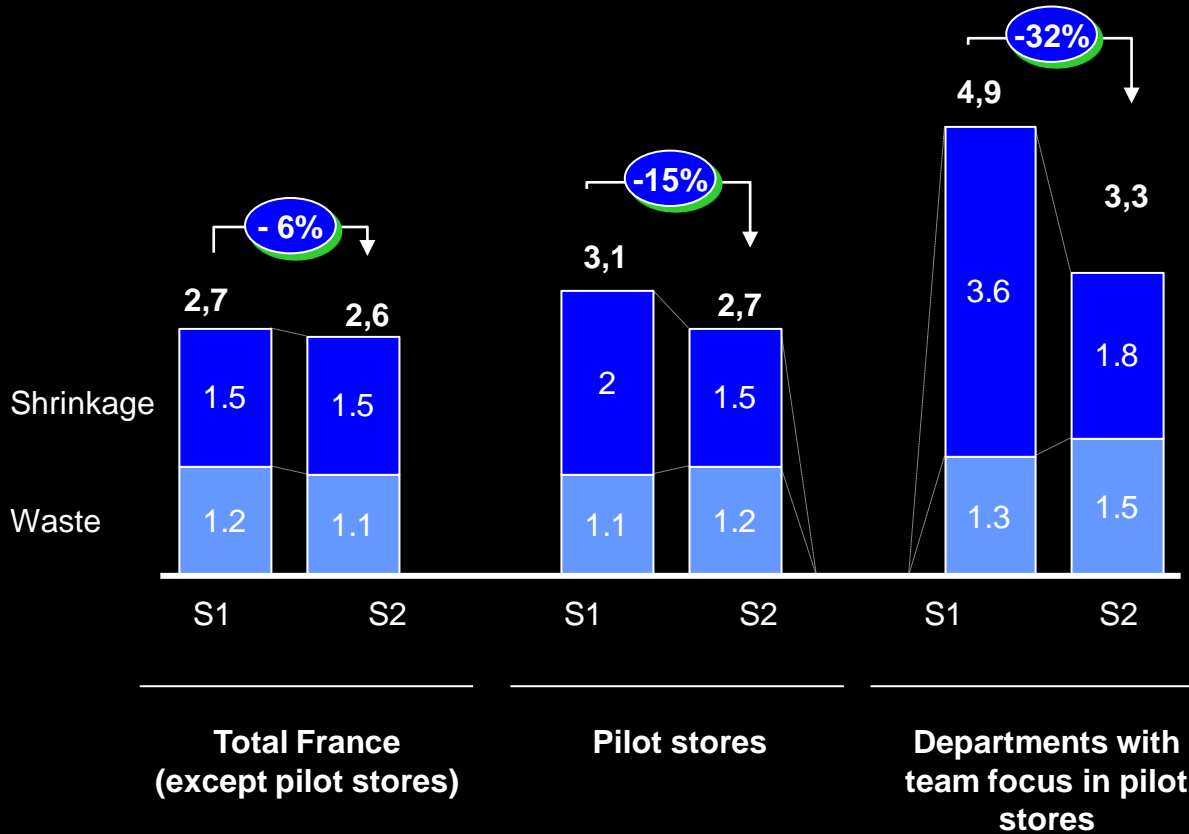


# RESULTS – S2 2002

% of 2002 Turnover



Shrinkage  
Waste



How can we rapidly achieve a lasting 30% decrease in S&W in the entire network ?

# SHRINKAGE REDUCTION PROGRAM - AMBITION 2003



## A simple and concrete action plan

Strong direction from CEO, relayed by entire operational line



Set of « must have » actions



Store-specific action plans



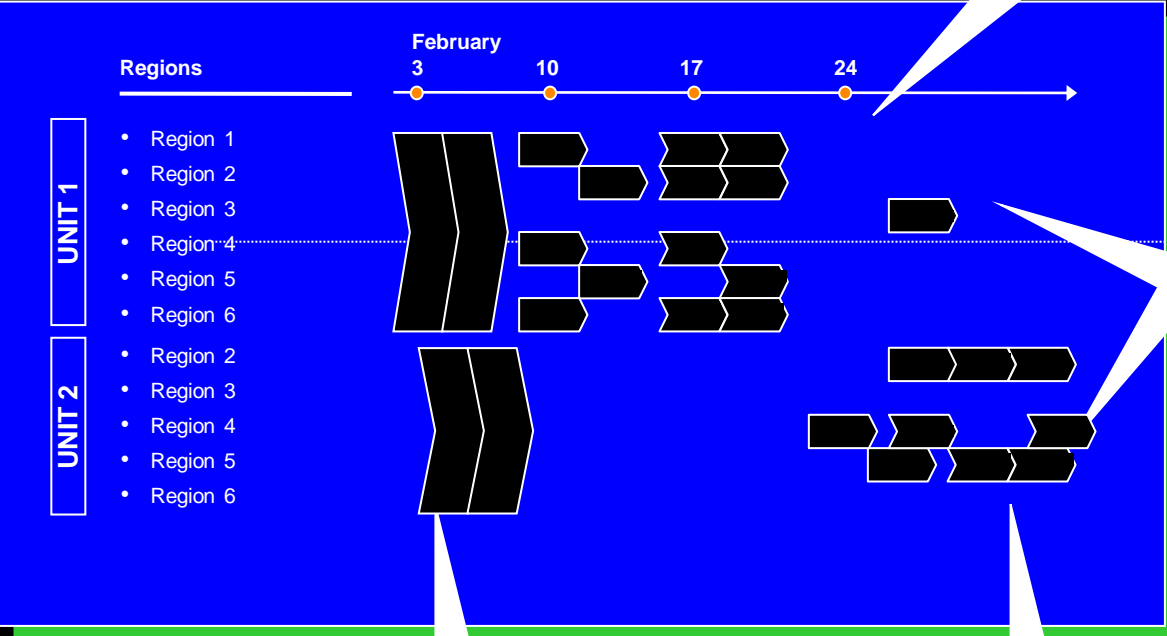
Rigorous control of results

- **Operational line is responsible** of the program (store managers; regional directors)
- Have a **fast roll-out** : 100% of roll-out in 3 months
- **Leverage regional controllers** as roll-out leaders and future warrant of lasting impact (due to their position)
- Define, with each stores management team, a **specific action plan**, based with concrete actions at department level
- Systematize a **rigorous monitoring** of implementation and impact through monthly business review

# ROLL-OUT PLAN FOLLOWED



- 2-day training sessions
- Short formal presentation and several real-cases on which trainees apply the new tools
- Ready-to-implement end-products



- **Combination of three formats :**
  - One store at a time
  - Batches of two stores
  - Regional Seminars of 6-7 stores

• **24 Intermediary Trainers** (Regional Finance Controllers) who attend the first training session and then roll-out the training in their own region

• **Training delivered to senior store Management** who then trains middle-managers and employees

# AGENDA OF THE 2-DAY TRAINING SESSION



Plenary





Breakouts


## Day 1


### Objective of the 2 days

- Message from CEO 

- Introduction with Regional Manager 


- « How much is at stake in our store ? » 


- Brainstorming « What is exactly shrinkage » 

- Synthesis of pilot phase 

- *Pause*





- Store analytical diagnostic 

- Selection of priority departments 

- *Lunch*





- Presentation of the scorecard :98 points check-list 

- Evaluation of store performance against the scorecard 

- *Pause*



- 3 key analysis to diagnose a department shrinkage 


- Application to the 5 priority department 


### Diagnostic


### Analysis

## Day 2

### Targets and action plans


- Synthesis of day 1 


- Department road-map (theory) 

- Immediate application to priority departments 

- *Pause*




- Immediate application to priority departments (continued) 

- Performance indicators (input) 

- *Lunch*




- In-store communication 

- Redaction of store communication plan 

- Preparation of synthesis 

- *Pause*



- Synthesis to the regional manager 

### Synthesis



# EXEMPLE OF END-PRODUCTS OF THE 2-DAY TRAINING SESSION



## Action plans (and targets) on priority departments

Démarque 2002			Objectif de réduction		
Rayons prioritaires	Valeur	% du CA HT	3 principales actions à engager	Valeur	En % du taux de démarque 2002*
1. R 10	220	1,74%	<ul style="list-style-type: none"> <li>Création d'1 zone sensible</li> <li>Coherence lot / unite</li> <li>Renforce la surveillance vidéo</li> </ul>	65	-36%
2. R 20	457	8,31%	<ul style="list-style-type: none"> <li>Rendements des produits</li> <li>Gestion article « ANABEL »</li> <li>Fermeture emballage client</li> </ul>	136	-30%
3. R 21	270	9,52%	<ul style="list-style-type: none"> <li>Rendements des produits</li> <li>Gestion article « ANABEL »</li> <li>Fermeture emballage client</li> </ul>	95	-35%
4. R 32	205	2,92%	<ul style="list-style-type: none"> <li>Antivolier / cercler produit sensible</li> <li>Recalage 100% produit sensible</li> <li>MAJ procédure RETOUR, SAV, V9000</li> </ul>	77	-37%
5. R 43	125	4,16%	<ul style="list-style-type: none"> <li>Antivolier / cercler produit sensible</li> <li>Recalage 100% produit sensible</li> <li>MAJ procédure RETOUR, SAV, V9000</li> </ul>	73	-58,4%
<b>Total</b>	<b>4165</b>	<b>3,06%</b>		<b>1464</b>	<b>-35%</b>

\* Objectif de réduction de la démarque à chiffre d'affaires constant  
Source: Equipe de direction magasin

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## Transversal action plans (controlling; security; reception)

Thème	Description	Echéance	Responsables
<b>Casse</b>	Remise en forme benne ouverture - fermeture, « homme casse »	S12	• Chef Sécurité
<b>Caisse</b>	Création procédure caisse : trie produit, ramassage, planning	S12	• Chef Caisse • RSNA
<b>Gestion</b>	Procédure transversal (taux modifications à la ligne, suivi avoir, recalage, casse)	S12	• CdG • MSI
<b>Réception</b>	Contrôle 100% des réceptions /isseurs directs animations (ex. : Palmer r21) remise en forme procédure	S12	• MSS • MR96
<b>Formation</b>	Ligne de conduite sur la démarque : bracelet scotch, panneau, ramasser les produits	S12	• RSA RSNA

Source: Equipe de direction magasin

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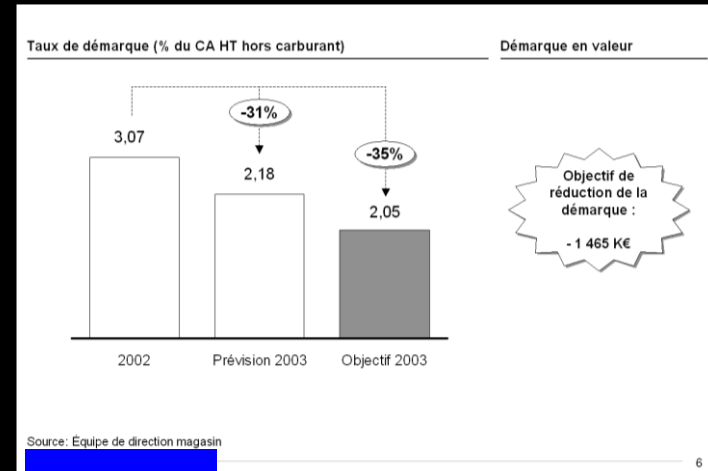
## Communication plan

Destinataires	Où en sont-ils actuellement ?	Notre objectif	Notre message	Canaux / supports	Timing	Responsabilité
• Équipe de Direction	• Formée, impliquée convaincue, déterminée	• Baisser de 35 %	• Assurer et faire progresser les résultats du magasin	• 3 heures de réunion hebdo	• Tous les mardis	• DM + ED
• Managers metiers	• Convaincus mais non impliqués	• Les rendre 100% moteur sur leurs équipes en les accompagnant	• Assurer et faire progresser les résultats du rayon • Assurer une bonne compétitivité du magasin	• TOP 40 • Différence Inventaire famille et produits 20/80 • Comité anti-démarque affichage	• Journalier Hebdo	• RSA • RSNA • MM • Chef de service
• Employés	• Convaincus et veulent être écoutés et guidés	• Chasseurs de gain • Application des règles déterminées, procédures, pratiques, exemplarité de l'encadrement	• Résultats en progression sur le rayon implique • Meilleur intérêt, participation, image prix	• Brief affichage comité anti-démarque	• Tous les jours il se passe quelque chose	• Tous
• Fournisseurs	• Aucune implication	• Sensibiliser	• Formaliser les règles en vigueur dans le magasin	• Fiche d'information à l'arrivée en magasin	• Semaine 10	• MSS Sécurité

Source: Equipe de direction magasin

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## Store overall target

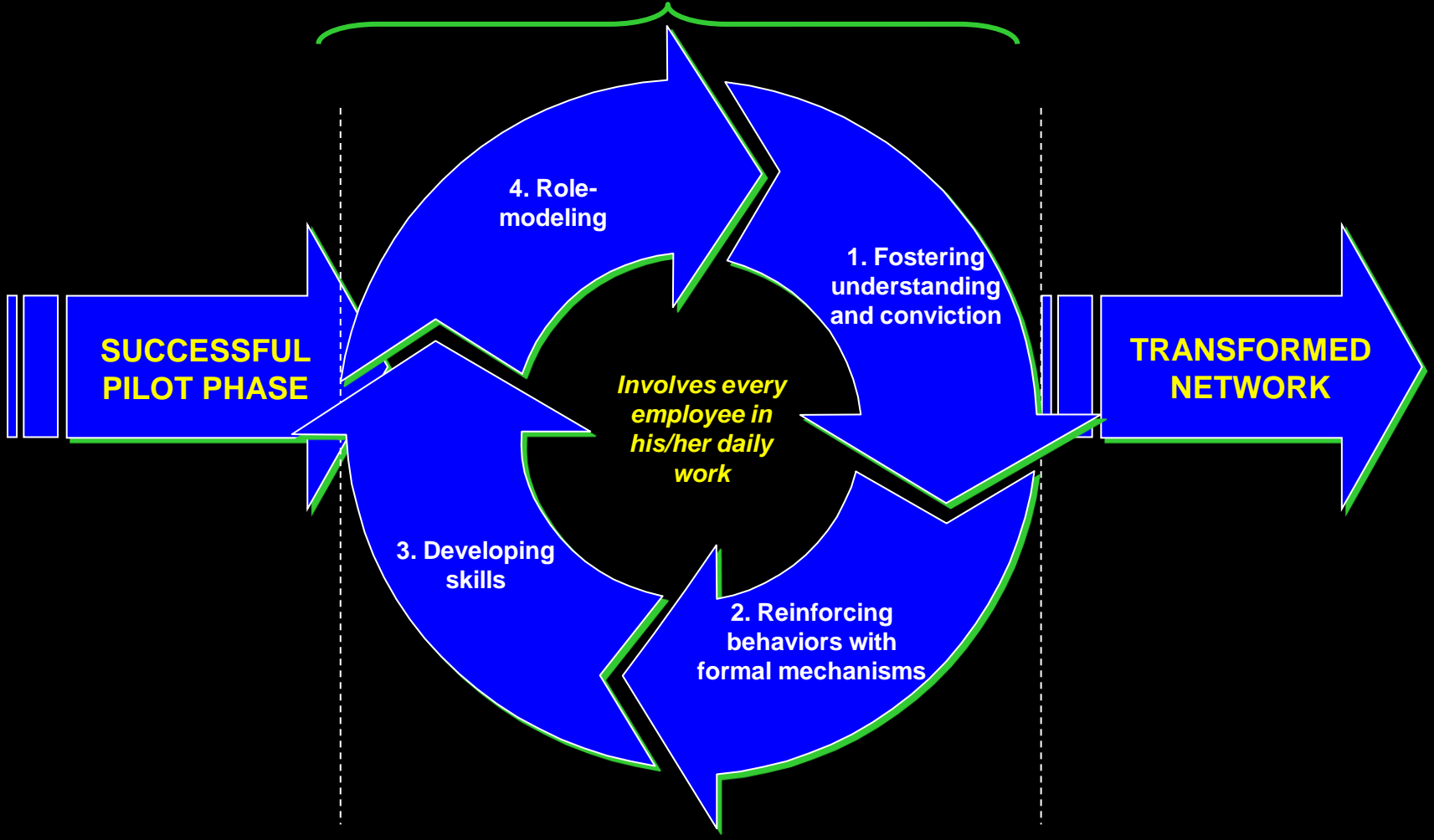


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# ROLL-OUT DYNAMICS



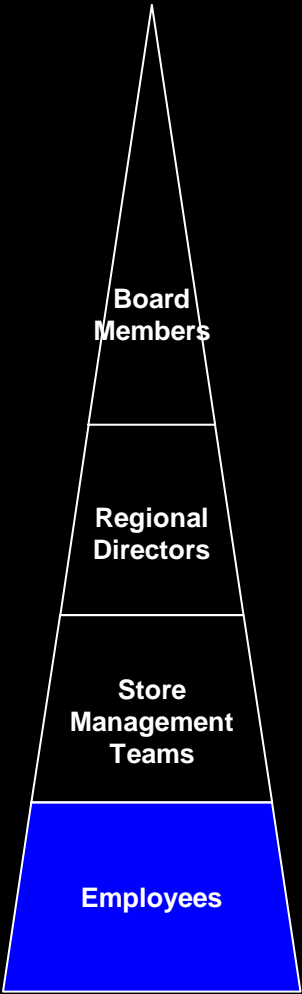
## ROLL-OUT



# CHANGE ACTIVITIES ON THE FOUR DIMENSIONS IMPLY STAFF FROM TOP TO BOTTOM



## Examples of activities



- Set-up kick-off events
- Design an incentive program



- Schedule regular progress reviews



- Challenge and stretch Regional Directors



- Show deep personal commitment

- Communicate on the project

- Monitor roll-out progress
- Attend performance reviews to ensure proper monitoring

- Facilitate best practice sharing

- Maintain momentum on the field

- Convince and create team commitment

- Define action plan and monitor implementation

- Coach and train subordinates

- Follow-up on the field to maintain pressure

- Clear out preconceived ideas

- Learn and apply procedures thoroughly

- Use new tools
- Share best practices

- Celebrate the performance of best employees

# MAINTAINING THE MOMENTUM REQUIRES TO ACTION BOTH "COMMAND AND CONTROL" AND "CHANGE BEHAVIOR" MECHANISMS



## PUSH

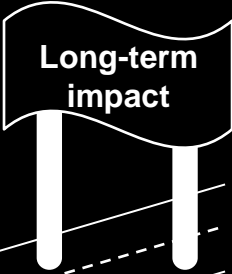
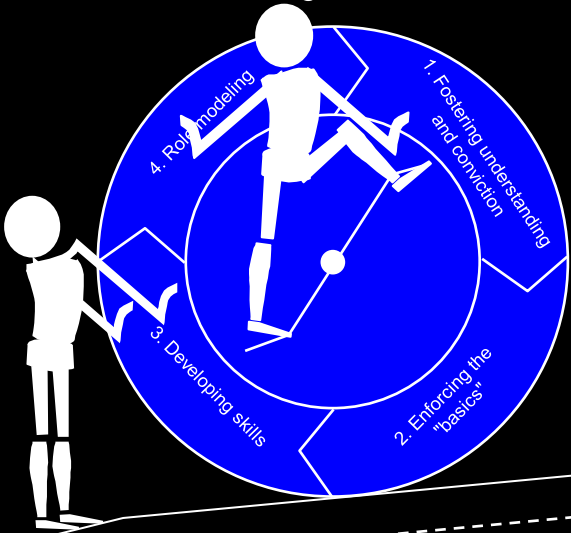
"Command and control" mechanisms aimed at enforcing change

- + Required to control that basic procedures and processes are applied
- Relies on managers' ability to constantly keep the pressure and set the right direction for each employee

## TEACH TO RIDE

"Change behavior" mechanisms aimed at enabling change at every employee level

- + Builds on every employee's resources to reduce S&W
- + Makes S&W reduction a self-sustained and permanent effort
- Driven by individual motivation, hence longer and more difficult to achieve



# REGIONAL MANAGERS CHECK LIST



## POINTS DE CONTRÔLE DEMARQUE DE/DR



Interlocuteur Vérifications Fait

RS/  
MM

*Pour le(s) rayon(s) prioritaire(s) dont il/elle est responsable :*

- Montants et taux de DI et de casse
- Potentiel de réduction (k€) et taux cible
- Édition de la démarque journalière à la famille sur le dernier mois
- 3 sous-familles et 5 produits les plus cassés sur le dernier mois
- Édition du fichier article et explication des marges les plus fortes (+/-) et des prix d'achat les plus anciens
- Montants et explication des principaux écarts au dernier inventaire
- Montants et explication des principaux recalages sur le dernier mois
- Plan d'actions le plus récent
- Contrôler les figures imposées au rayon / secteur
- Contrôler 3 actions mises en place au cours des 3 derniers mois
- Contrôler les réserves (rangement, protection/surveillance, nature des produits en réserve sensible...)

Chef  
Sécurité

- Évaluation des pratiques magasin en matière de démarque (98 points)\*
- Dernière analyse partagée en ED des produits les plus « interpellés »
- Contrôler 5 figures imposées au choix
- Contrôler 5 points de la grille des pratiques magasin

\* Sur la base du compte-rendu du dernier audit effectué par le Relais Sûreté

## POINTS DE CONTRÔLE DEMARQUE DE/DR



Interlocuteur Vérifications Fait

DM

- Montants et taux de DI et de casse au dernier inventaire semestriel
- Potentiel de réduction (k€) et taux cible du magasin
- Évaluation des pratiques magasin en matière de démarque (98 points)\*
- Dernier compte-rendu du comité anti-démarque
- 5 rayons prioritaires en terme de potentiel de réduction de la démarque (k€)
- Plan d'actions le plus récent pour l'un des rayons prioritaires
- Contrôler 5 figures imposées au choix
- Contrôler 5 points de la grille des pratiques magasin
- Contrôler les réserves (rangement, protection/surveillance, nature des produits en réserve sensible...)

C. de  
Gestion

- 5 rayons prioritaires en terme de potentiel de réduction de la démarque (k€)
- Contrôler les analyses les plus récentes effectuées sur un rayon prioritaire (analyse journalière de la démarque à la famille, chiffrage de la démarque à la sous-famille, top 40 de la casse, analyse des principaux écarts au dernier inventaire et/ou recalage de stock, mise à jour du fichier article)

\* Sur la base du compte-rendu du dernier audit effectué par le Relais Sûreté

# QUESTIONS