
Reducing Shrinkage to Better Serve the Customer

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Common Goal



The Problem - 2003

- Products Locked Up
- Shelf "out of stocks"



This means we failed to serve the customer and were failing to support our businesses

Tesco UK Shrinkage - 2003

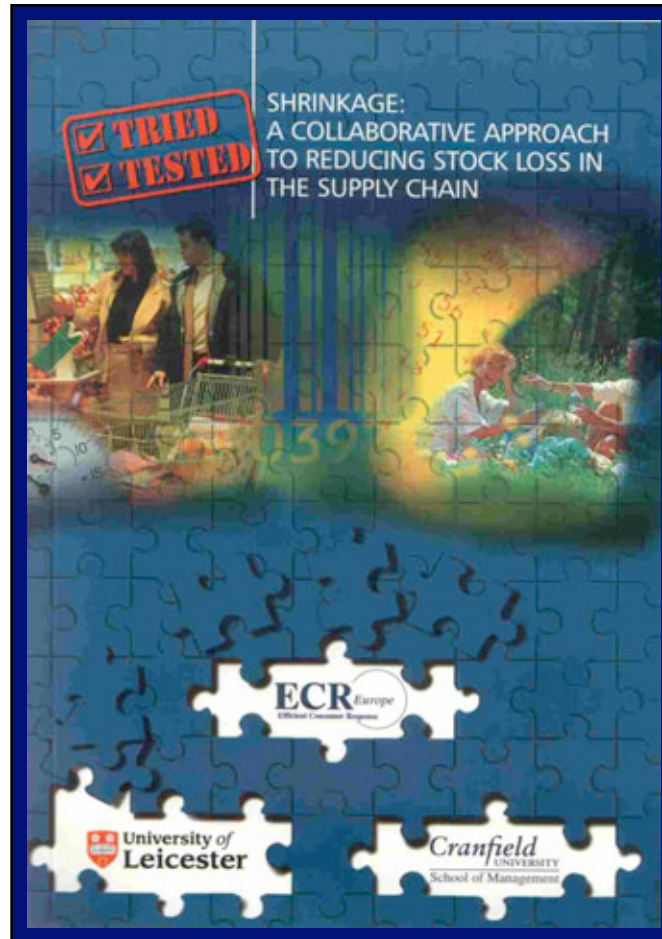
Unknown losses at Retail	As % of Sales
Health and Beauty	3.0%
Wines and Spirits	1.0%
Clothing	3.0%
Home Entertainment	3.5%
Total Company	1.01%

Tesco - Call to Action



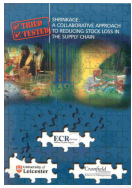
- “Got the call” from the very top
- “Licence” to work across functions to reduce shrinkage
- Permission granted to take drastic action if needed

The ECR Blue Book!



The Tesco Team...





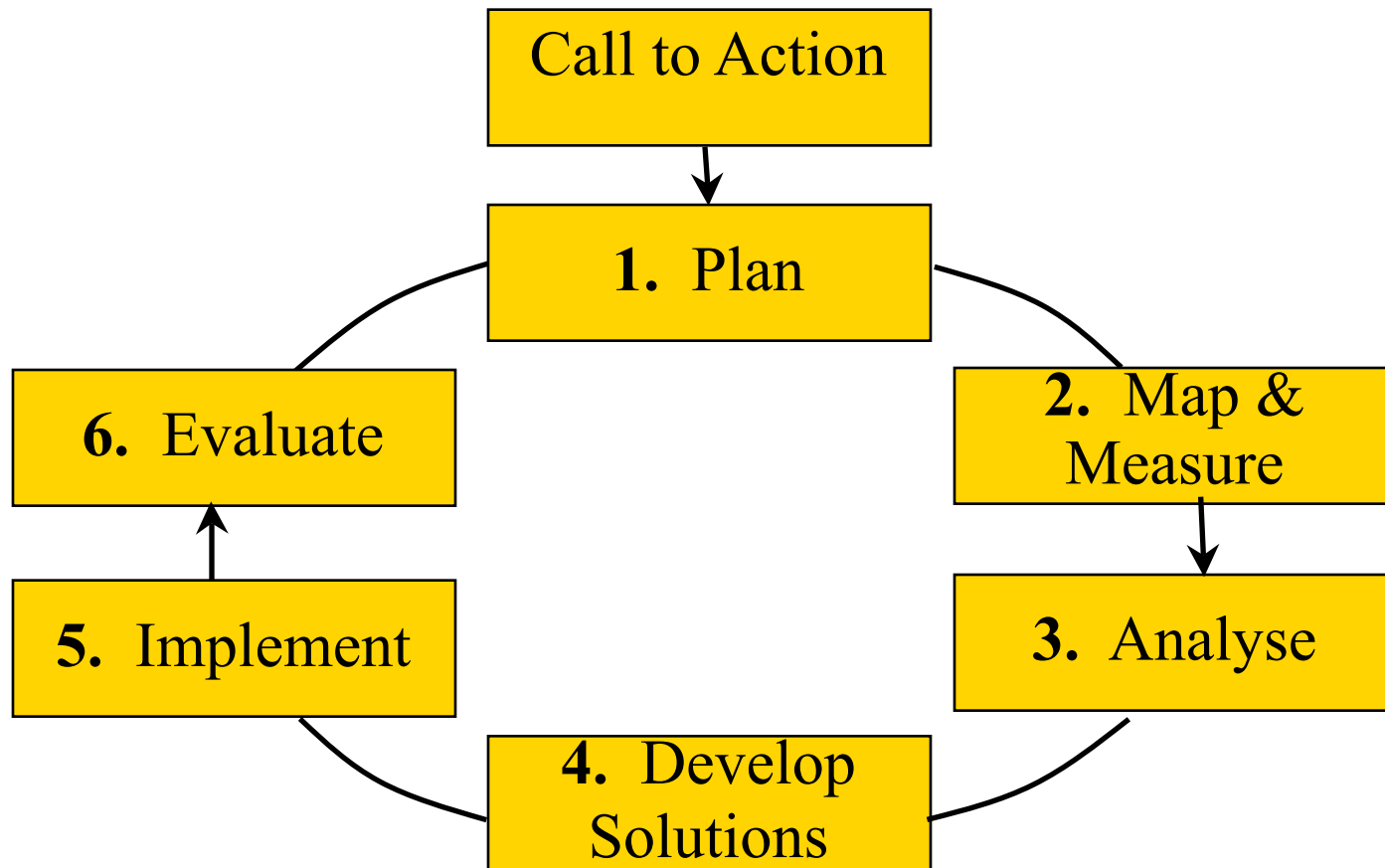
ECR Approach

The Guiding Principles

- Engage senior management and prioritise shrinkage
- Identify accountabilities, measure, track and motivate
- Promote inter and intra company collaboration
- Adopt an holistic and structured approach
- Unlock the value of the 'hot' concept
- Focus on process failures first
- Encourage innovation and experimentation
- Document learning and disseminate success



The ECR Road Map



Plan

- Hot Products
- Hot Stores
- Look for internal process failures



Hot Products...Health & Beauty

Description	Gain	Loss	Net mismatch (Ret Value)	Sales	Mismatch % Sales
BRAUN ORAL B REPL HEAD TWIN PACK	(8,475)	41,099	32,624	238,160	13.70%
BRAUN ORAL B REPLACEMENT HEAD4'S EB17-4	(5,373)	20,596	15,223	73,067	20.83%
JOHNSONS BABY EXTRACARE WIPES 64	(5,114)	18,975	13,861	607,965	2.28%
COLGATE WHITENING TOOTHPASTE 100ML	(6,041)	18,324	12,283	316,867	3.88%
OIL OF OLAY TOTAL EFFECTS MST REG 50ML	(5,089)	12,962	7,874	43,564	18.07%
SMA GOLD BABY MILK 900G	(3,974)	11,393	7,419	359,183	2.07%
NIVEA VISAGE ANTI WRINKLE Q10REPAIR CRME 50ML	(3,926)	11,300	7,374	28,276	26.08%
OIL OF OLAY TOTAL EFFECTS NIGHT T/MENT 50M	(2,357)	8,770	6,413	24,774	25.89%
AQUAFRESH MULTI ACTION WHITENINGTOOTHPASTE 100ML	(2,739)	9,122	6,383	55,449	11.51%
CREST SPINBRUSH KIDS BOY/GIRL	(1,943)	8,308	6,365	43,751	14.55%
NUROFEN LIQUID CAPSULES 16'S	(1,136)	7,257	6,121	116,935	5.23%
OIL OF OLAY TOTAL EFFECTS MST F/F 50ML	(4,903)	10,653	5,750	31,654	18.16%
PAMPERS BABY DRYECONOMY PACK JUNIOR 54	(2,885)	8,551	5,666	255,960	2.21%
SMA PROGRESS FOLLOW ON MILK 900G	(2,527)	7,550	5,023	252,922	1.99%
NUROFEN TABLETS 16S	(1,764)	6,653	4,889	217,533	2.25%
GILLETTE MACH 3 TURBO CARTIDGES 8'S	(8,316)	12,979	4,664	234,109	1.99%
HUGGIES FREEDOM LGE CONVENIENCE PACK 30	(2,628)	7,290	4,661	110,833	4.21%
CREST SPINBRUSH YOUTH/MULTIANGLE REPLACEABLE HEAD	(2,517)	6,840	4,323	40,952	10.56%
COLGATE ACTIBRUSH KIDS <COLOURED>	(7,689)	11,783	4,095	25,428	16.10%
PAMPERS BABY WIPES REFILL 72	(4,427)	8,465	4,038	163,495	2.47%
COW & GATE PREMIUM 900G	(2,659)	6,650	3,990	134,089	2.98%
GILLETTE MACH 3 CARTRIDGES 4'S	(12,278)	16,232	3,953	254,737	1.55%
ANADIN EXTRA TABLETS 16'S	(1,214)	5,166	3,952	189,994	2.08%
ORAL B 5000 PROFESSIONAL CARE 3D T/BRUSH	(12,212)	16,066	3,855	43,406	8.88%



Hot Stores...

COMPANY SUMMARY					
HOT STORES BASED ON ALL HOT PRODUCT GROUPS					
<i>Extra</i>		<i>Superstore North</i>		<i>Superstore South</i>	
STEVENAGE EXTRA	£ 74,274	RUGBY	£ 60,847	POTTERS BAR	£ 99,989
LEICESTER EXTRA	£ 60,359	HULL	£ 47,343	HORSHAM	£ 68,492
SLOUGH EXTRA	£ 56,160	SOLIHULL	£ 46,599	AMERSHAM	£ 64,113
SANDHURST EXTRA	£ 46,804	CHESTERFIELD	£ 44,347	HATFIELD	£ 54,574
PURLEY EXTRA	£ 44,190	ELY	£ 43,072	OSTERLEY	£ 53,458
BURSLEDON TWRS EXTRA	£ 42,969	HANDFORTH	£ 42,451	SHOREHAM	£ 49,377
READING EXTRA	£ 42,709	CARLISLE 2	£ 40,151	ELMERS END	£ 49,150
PRESCOT EXTRA	£ 41,498	MARTLESHAM	£ 38,697	LITTLEHAMPTON	£ 47,748
BOREHAMWOOD EXTRA	£ 41,450	ROCHDALE	£ 37,913	SOUTH TOTTENHAM	£ 46,974
NEW MALDEN EXTRA	£ 40,650	KETTERING	£ 37,580	SALISBURY 2	£ 46,708
ALTRINCHAM EXTRA	£ 38,362	WORKSOP	£ 36,487	RICKMANSWORTH	£ 43,891
NEWCASTLE U/T EXTRA	£ 36,812	STOKE	£ 36,438	LUNSFORD PARK	£ 43,274
YORK TADCASTER ROAD	£ 36,400	DAVENTRY	£ 35,415	EVESHAM	£ 41,978
LEEDS SEACROFT EXTRA	£ 35,154	BOSTON	£ 35,349	WOODFORD GREEN	£ 41,601
WHITSTABLE EXTRA	£ 34,725	MOLD	£ 34,435	PETERSFIELD	£ 41,354
YEADING EXTRA	£ 32,606	MILTON	£ 34,416	HELSTON	£ 41,048
SWINDON EXTRA	£ 31,277	CLITHEROE	£ 33,189	TWICKENHAM	£ 40,898
HAYES BULLS B/DGE EXT	£ 31,042	DUDLEY	£ 32,893	SUTTON-CHEAM PK FARM	£ 40,530
SOUTHPORT EXTRA	£ 28,009	DEREHAM	£ 32,851	NEWTON ABBOT	£ 40,407
NEWBURY	£ 27,826	GOOLE BOOTHFERRY ROAD	£ 32,696	WINCHESTER	£ 40,085
WREXHAM EXTRA	£ 27,823	POLLOK	£ 31,688	ASHFORD MIDDLESEX	£ 39,604
M K KINGSTON EXTRA	£ 27,434	FALKIRK GRAHAMS ROAD	£ 31,486	HARLOW EDINBURGH WAY	£ 38,575



Process Failures...Health & Beauty

Long Description	This Period Mismatch			This Period Sales	Counts	Waste	
	Gain	Loss	Net Retail Value	Sales	Mismatch % Sales	No. Stores counted	This Period Waste%
LEVER FABERGE XMAS PALLET LYNX/IMPULSE	0	218,030	218,030			10	
WILKINSON SWORD QUATTRO RAZOR OFD P10/P12	-6	31,903	31,897			15	
BEECHAMS OFD	-358	16,847	16,488			9	
NIVEA VISAGE MASKS CLIP STRIP	-2,280	17,650	15,370	0	0%	10	0%
NIVEA VIAGE AGE REVERSAL CRM OFD	0	7,552	7,552	0	0%	2	0%
GILLETTE VENUS SPA/SATIN CARE OFD	0	6,486	6,486	0	0%	1	0%
OFD PROM 9 PAIN	0	6,424	6,424	0	0%	1	0%
HUGGIES WIPES FR/FF 64 PALLET DISPLAY	0	5,253	5,253	0	0%	1	0%
HUGGIES ADVENTURERS ECONPALLET DISPLAY	0	3,638	3,638	0	0%	2	0%
T. ULT SOFT BABYWPS F/F FLO WRAP80PALLET DISPLAY	0	3,240	3,240	0	0%	0	0%
L'OREAL SOLAR EXPERTISE PRE-PACKED TRAY	0	2,592	2,592	0	0%	0	0%
ROC EYE LIFTING GEL 15ML	-368	2,896	2,528	1,649	153%	6	12%
CHARLIE PRE FILLED TRAY	-1,249	3,748	2,499	0	0%	1	0%
SUDAFED 12 HOUR RELIEF 12PK P	-115	2,565	2,450	1,956	125%	7	0%
TESCO TRIPLE BLADE DISPOSABLERZR FOR WOMEN X4	-1,792	4,225	2,434	3,736	65%	17	1%
BODYFORM PANTYLINERS MICRO 22'S	-63	2,423	2,360	2,893	82%	6	1%
NEUTROGENA VISIBLY YOUNG EYE CREAM 15ML	-2,156	4,398	2,242	2,428	92%	7	48%
HEAD & SHOULDERS DRY SCALP S/POO 400ML+200ML	-117	2,353	2,236	1,980	113%	12	0%
COW & GATE STEP UP RTF 200ML 15 FOR PRICE OF 10	-910	2,677	1,767	2,484	71%	57	1%
CREST SPINBRUSH YOUTH/MULTIANGLE REPL HEADS X2	-1,062	2,810	1,748	2,029	86%	8	3%



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Total Company	1.01%

Gillette Hot Products - 2003

Unknown losses at Retail	As % of Sales
MACH3	9%
OralB Braun	15%
Duracell	20%

Map & Measure



Picking



Shelf





Analyse

- What could go wrong?
- Scored each risk
 - Severity
 - Occurrence
 - Detection
- Assessed root causes for key risks



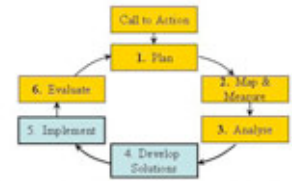
Solutions Developed



- Secure Supply Chain for top 500 hot products



Solutions Developed



TESCO

ECR

The Gillette Company

- Secure Storage in top 200 stores
- This has become “design” standard and is rolled out in all stores



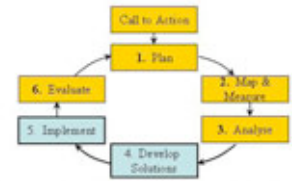
Solutions Developed



- Modified Packaging to enable product protection in all stores



Solutions Developed



TESCO

ECR

The Gillette Company

- Introduced regular counting of hot products to measure results



Gillette Hot Products



Unknown losses at Retail	2003	2005
MACH3	9%	
OralB Braun	15%	
Duracell	20%	

Sales Growth 2003 Vs 2005

Gillette Hot Products



Unknown losses at Retail	2003	2005
MACH3	9%	3%
OralB Braun	15%	9%
Duracell	20%	2.5%

Sales Growth 2003 Vs 2005

Gillette Hot Products



Unknown losses at Retail	2003	2005
MACH3	9%	3%
OralB Braun	15%	9%
Duracell	20%	2.5%

Sales Growth 2003 Vs 2005
+27%
+13%
+47%

Tesco UK Shrinkage



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Tesco UK Shrinkage



Unknown losses at Retail	2003	2005
Health and Beauty	3.0%	1.75%
Wines and Spirits	1.0%	0.95%
Clothing	3.0%	1.75%
Home Entertainment	3.5%	1.5%
Total Company	1.01%	0.69%

What have we learnt? Tesco

- Better at understanding of process failure, clear on what people steal
- Importance of collaboration across the supply chain for a Better, Simpler and Cheaper approach
- On hot products, we're very aware of the need suppliers to understand the impact of shrinkage and work with us to "design out" shrink

What have we learnt? Gillette

- Manage shrinkage as an opportunity to sell more..
- The solutions do not need to be complex
- The ECR Road Map works!
 - Other markets
 - Other problems

Fuller Shelves



More Satisfied Shoppers



Shrink Challenge

- Holy Grail for Shrink in the UK is collusion between customers and staff
- All analysis points to the non scanning of product as the biggest cause of shrink for any retailer
- Millions has been invested in EAS tagging yet the products we protect remain the "hottest"
- We need a solution for the till that closes the loop between the tag being removed / deactivated and the products being scanned



Today – 11.15am
Breakout Room 242

June 9th - Brussels

7th ECR Europe Shrinkage Seminar – Source Tagging

