

Shrinkage Management

ECR Europe
Experience

Colin Peacock – ECR Project Co Chair

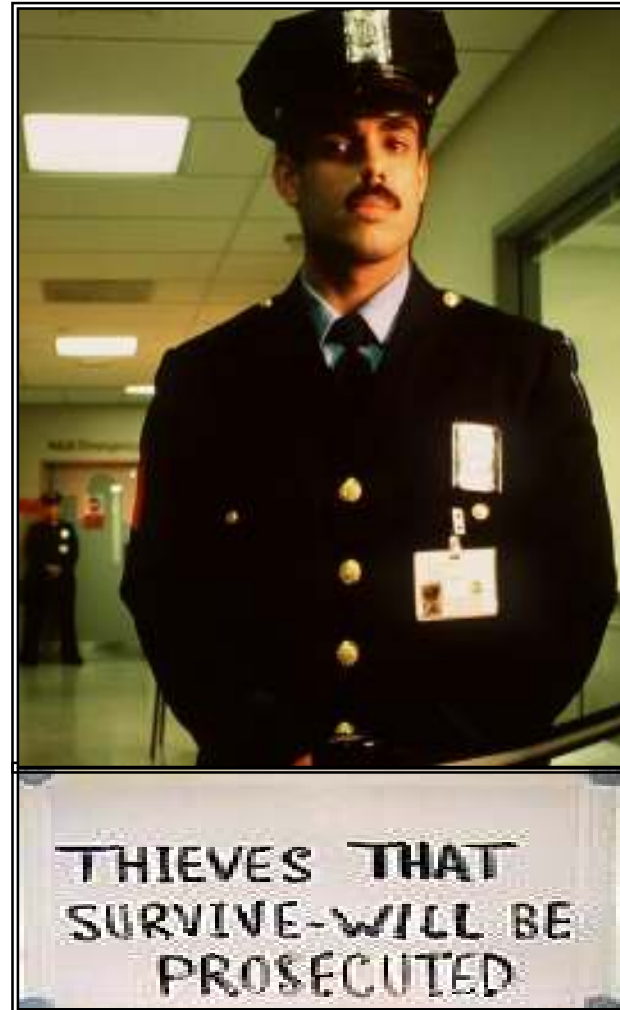
When You Think of Shrinkage

- You may be thinking about clothes getting smaller in the wash.



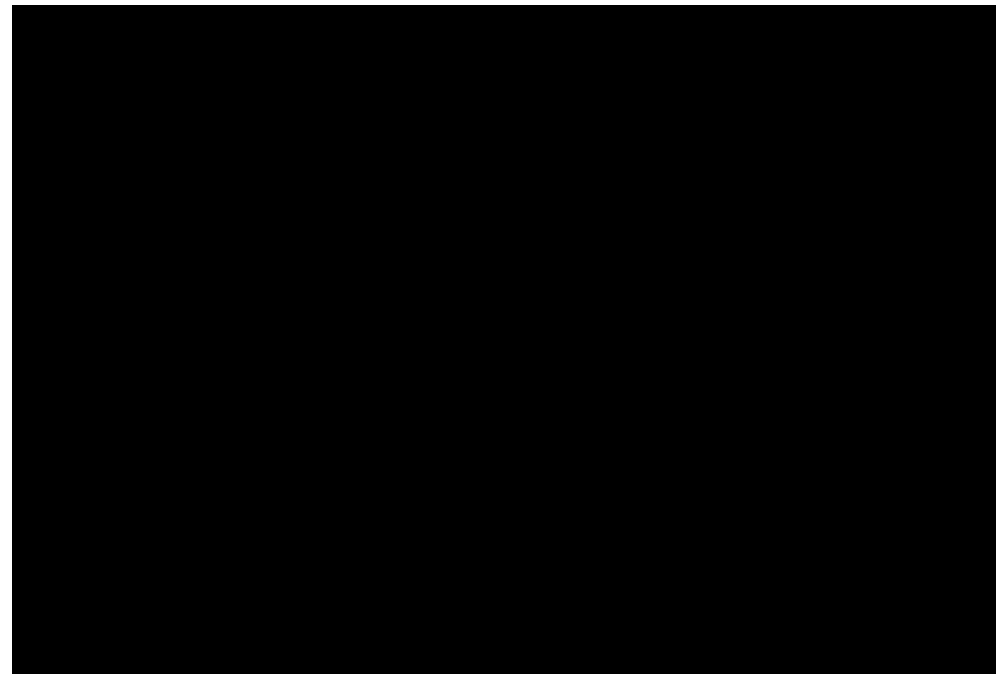
When You Think of Shrinkage

- You may be thinking about clothes getting smaller in the wash..
- Or you may have an image of store security



When You Think of Shrinkage

- You may be thinking about clothes getting smaller in the wash..
- Or you may have an image of store security
- Or be thinking of shop thieves



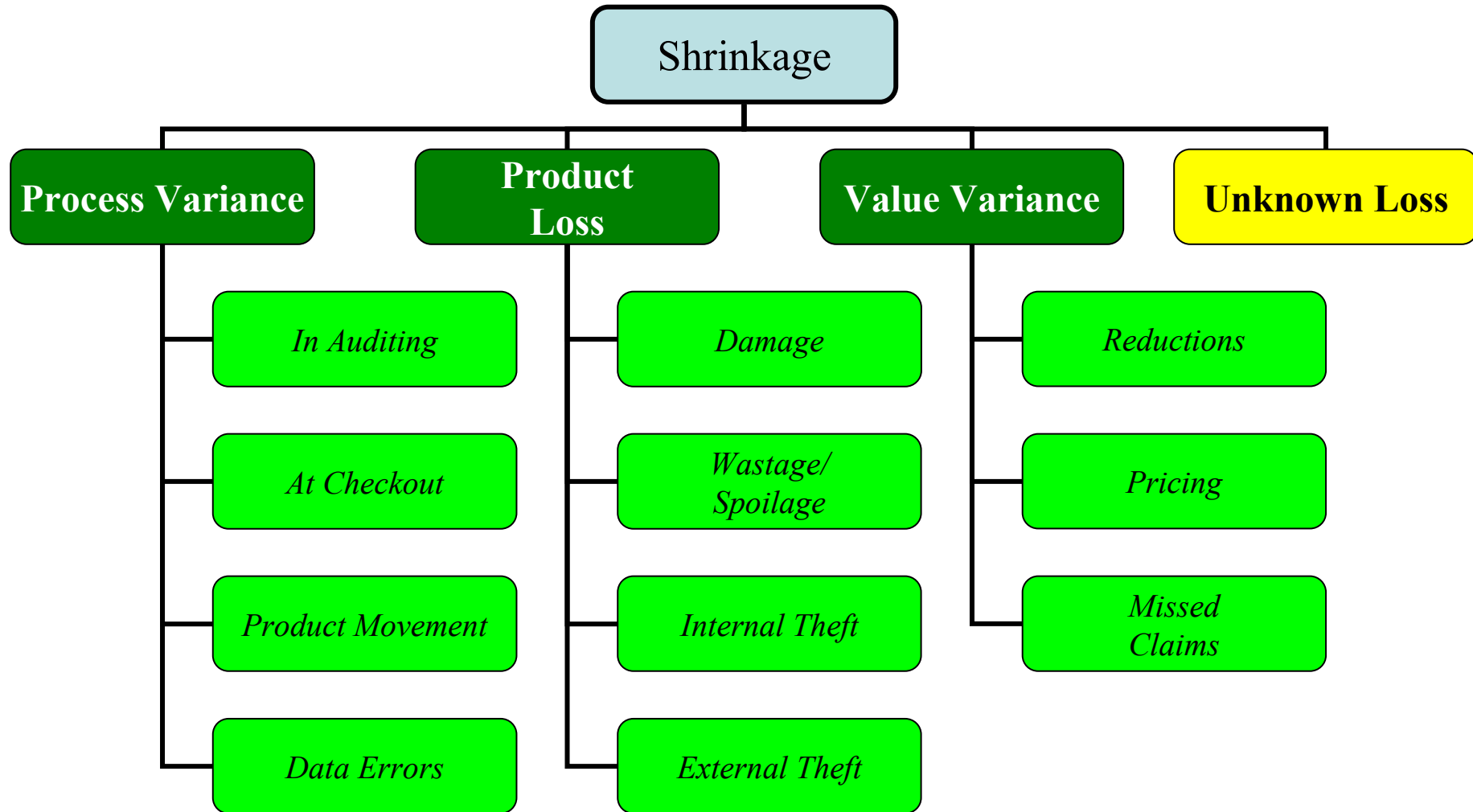
ECR Europe View

- Shrink = Our greatest opportunity
- Shrink can be controlled
- Collaboration & ECR Approach work

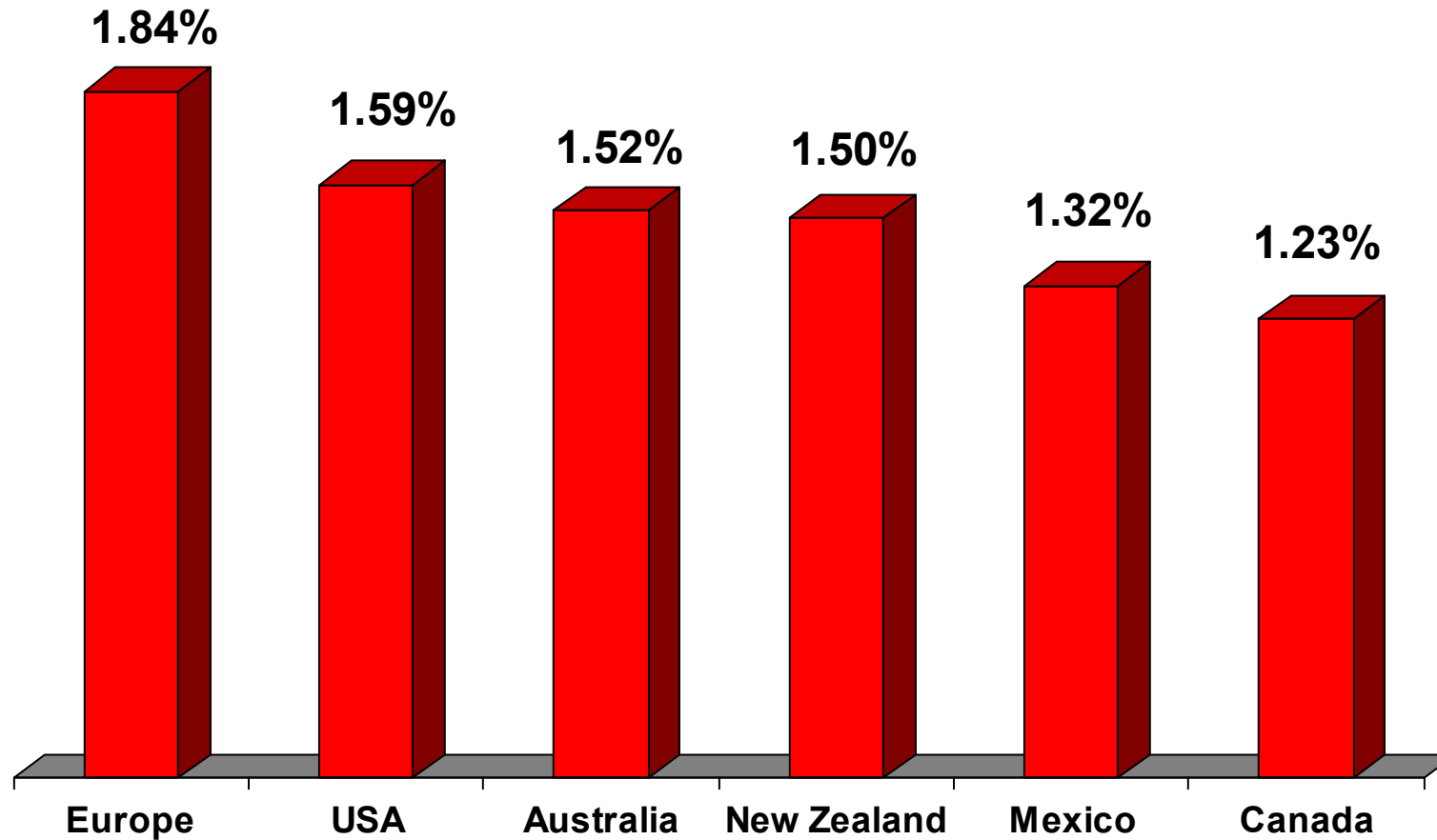
ECR Europe View

- Shrink = Our greatest opportunity
- Shrink can be controlled
- Collaboration & ECR Approach work

Shrink Defined:

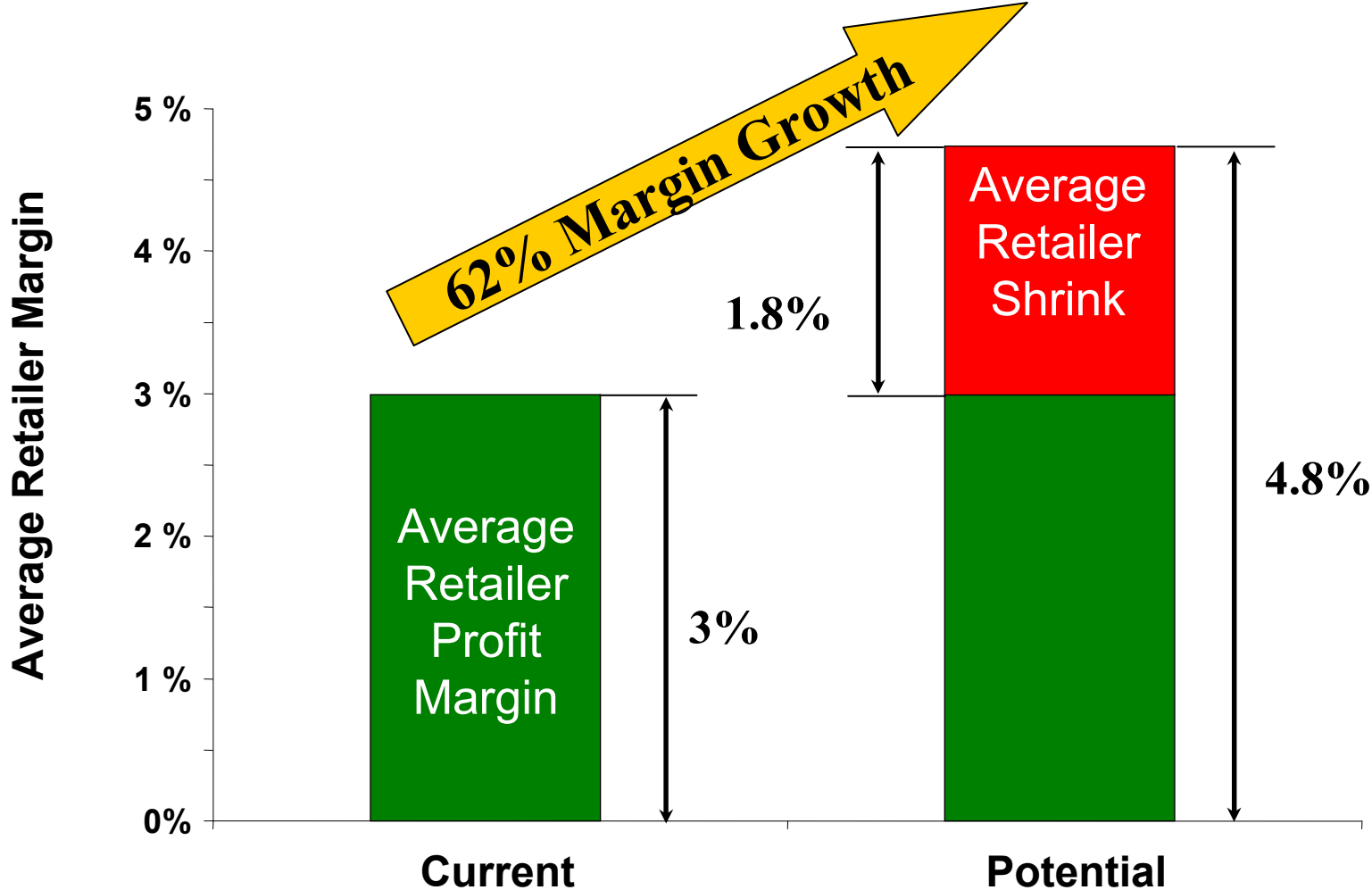


Shrink as % of Sales



Source: USA: University of Florida 2006 Report: Mexico: 1999 Dr Cecilia Margoana. Europe: Adrian Beck, ECR Europe 2004
Australia: ECR Australia 2002. New Zealand: Jihn Guthrie 2003. Canada: Retail Council 2004

Greatest Growth opportunity

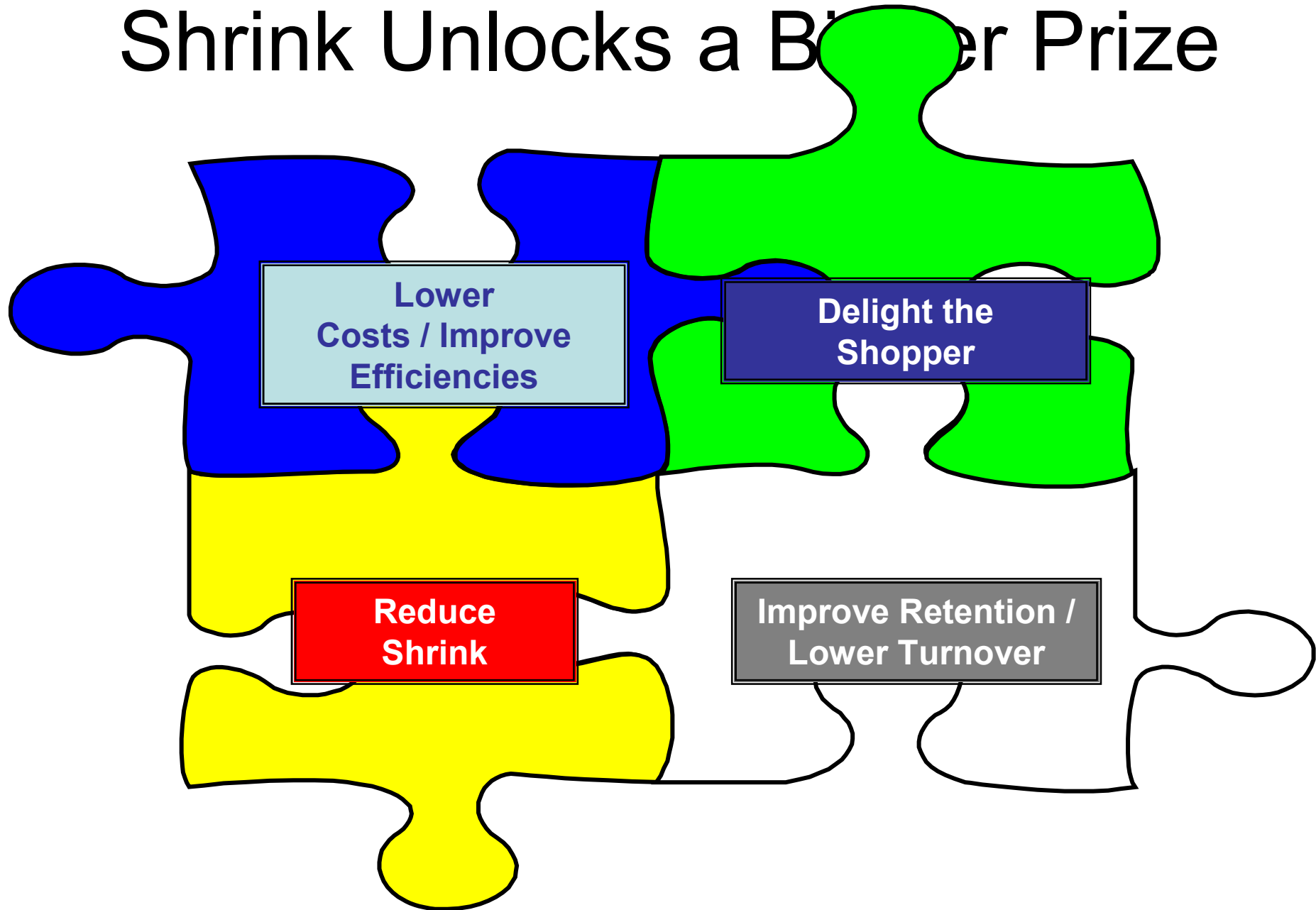


Greatest Shareholder Value Growth Opportunity

	Net Income	Shareholder Value
\$1,000,000 shrinkage reduction	\$700,000	\$14,000,000
\$1, 000,0000 inventory reduction	\$200,000	\$4,000,000
\$1,000,000m incremental sales	\$150,000	\$3,000,000

- Assumptions:
1. sales margin of 15%
 2. inventory holding cost of 20%
 3. net overhead cost of 30%
 4. share price is a multiple of 20 on net income

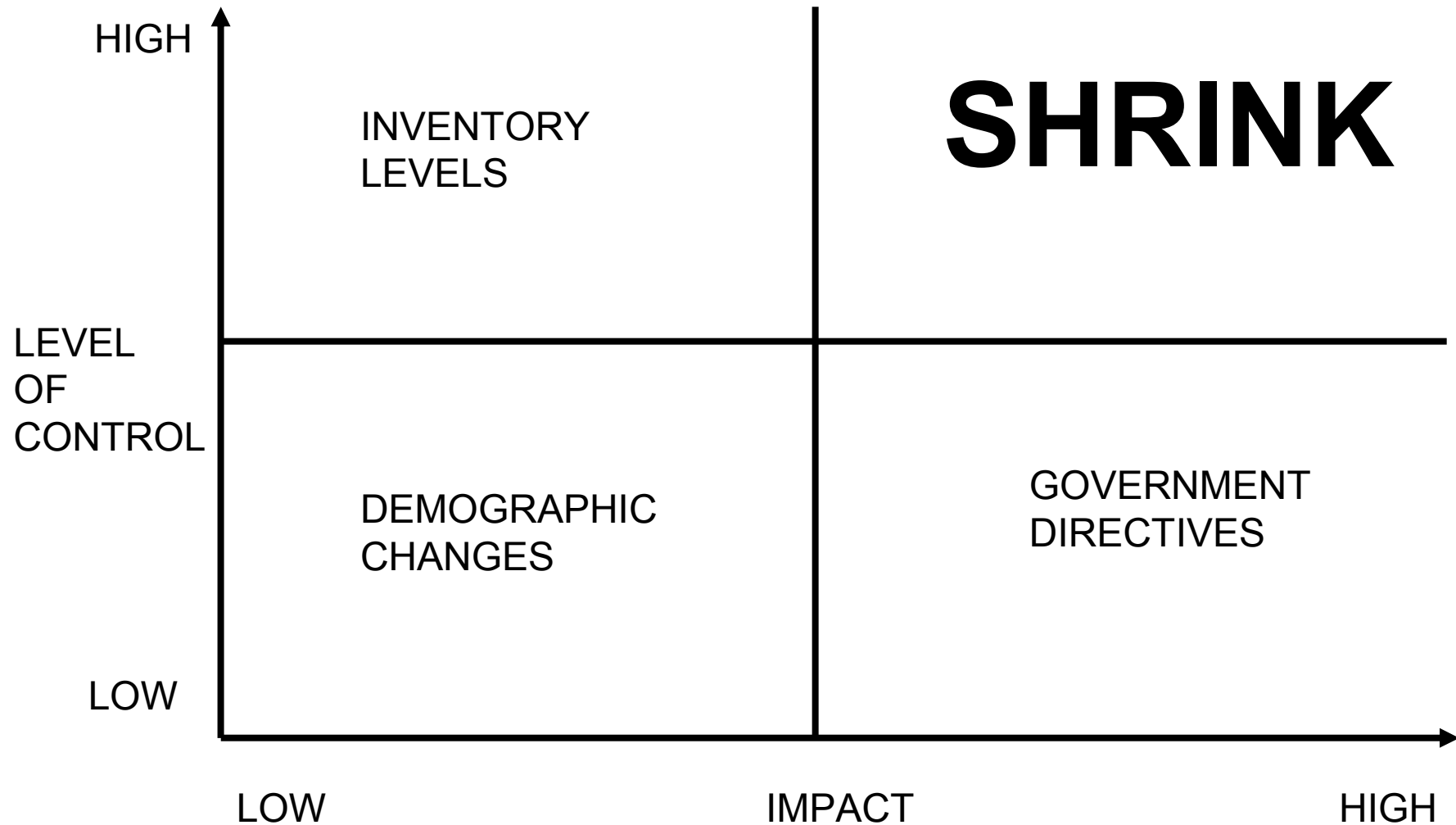
Shrink Unlocks a Bigger Prize

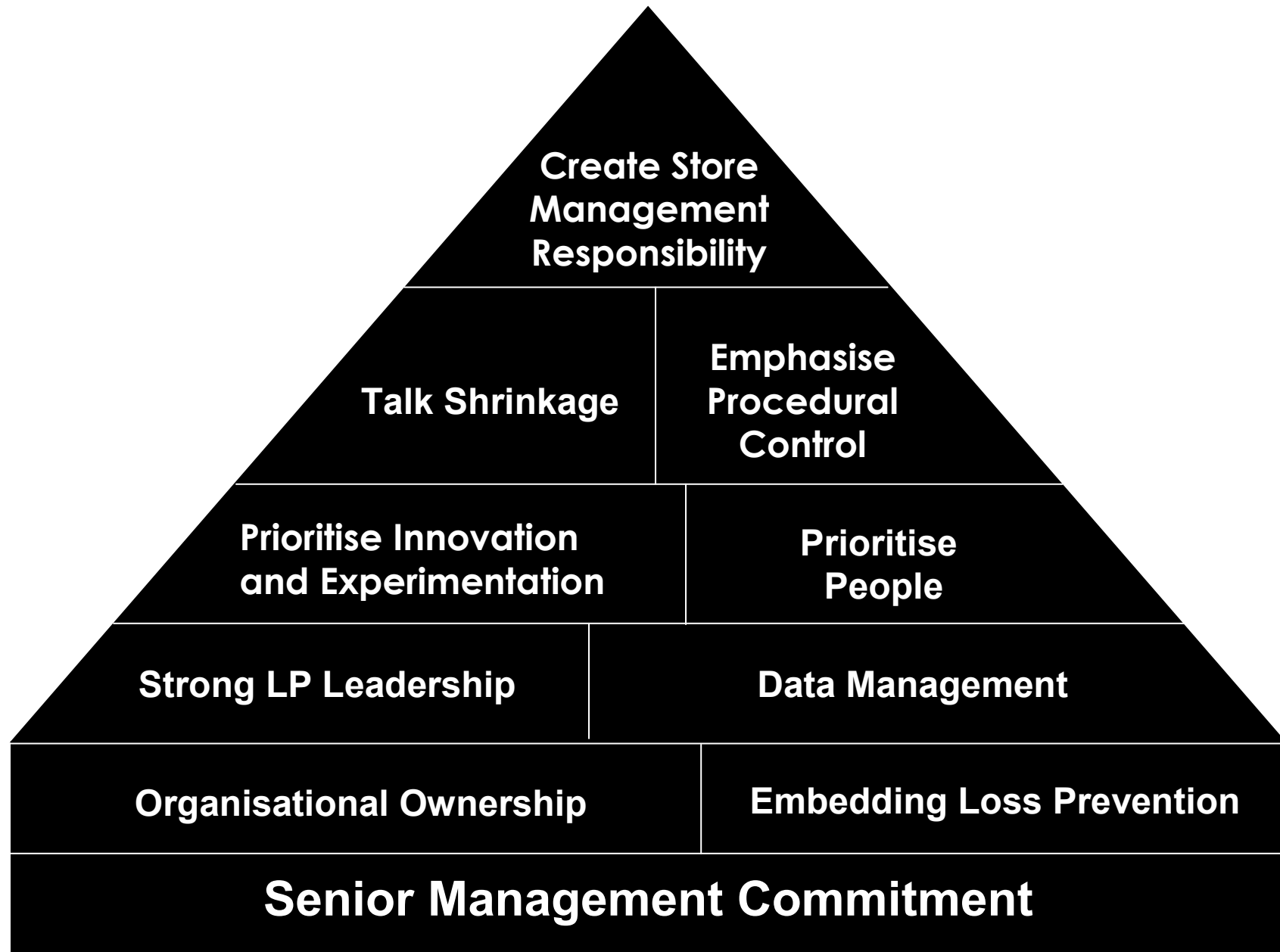


ECR Europe View

- Shrink = Our greatest opportunity
- Shrink can be controlled
- Collaboration & ECR Approach work

“Last Free Money on the Table”





**Create Store
Management
Responsibility**

Talk Shrinkage

**Emphasise
Procedural
Control**

**Prioritise Innovation
and Experimentation**

**Prioritise
People**

Strong LP Leadership

Data Management

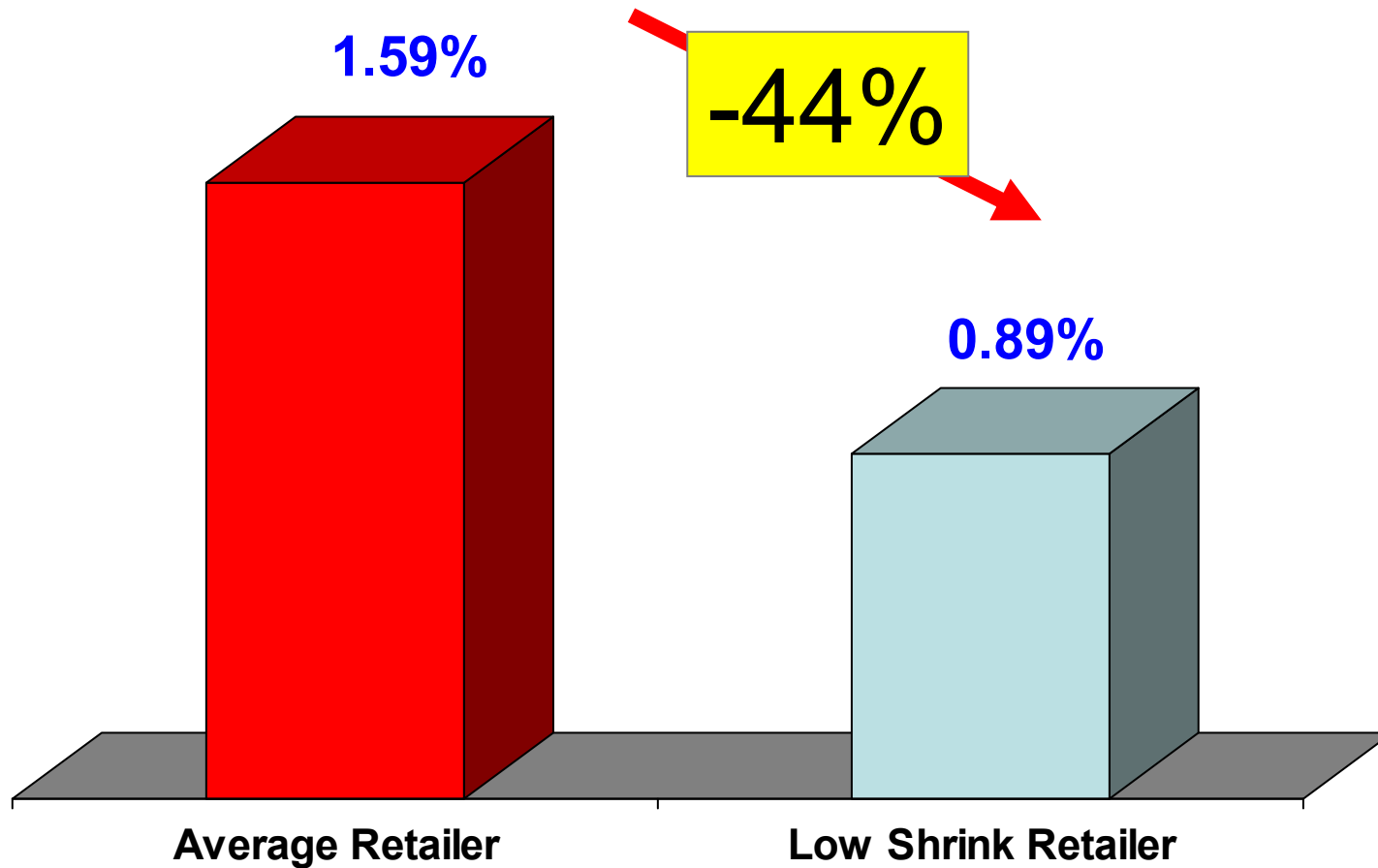
Organisational Ownership

Embedding Loss Prevention

Senior Management Commitment

Low Shrink Retailers

Shrink as % of Sales

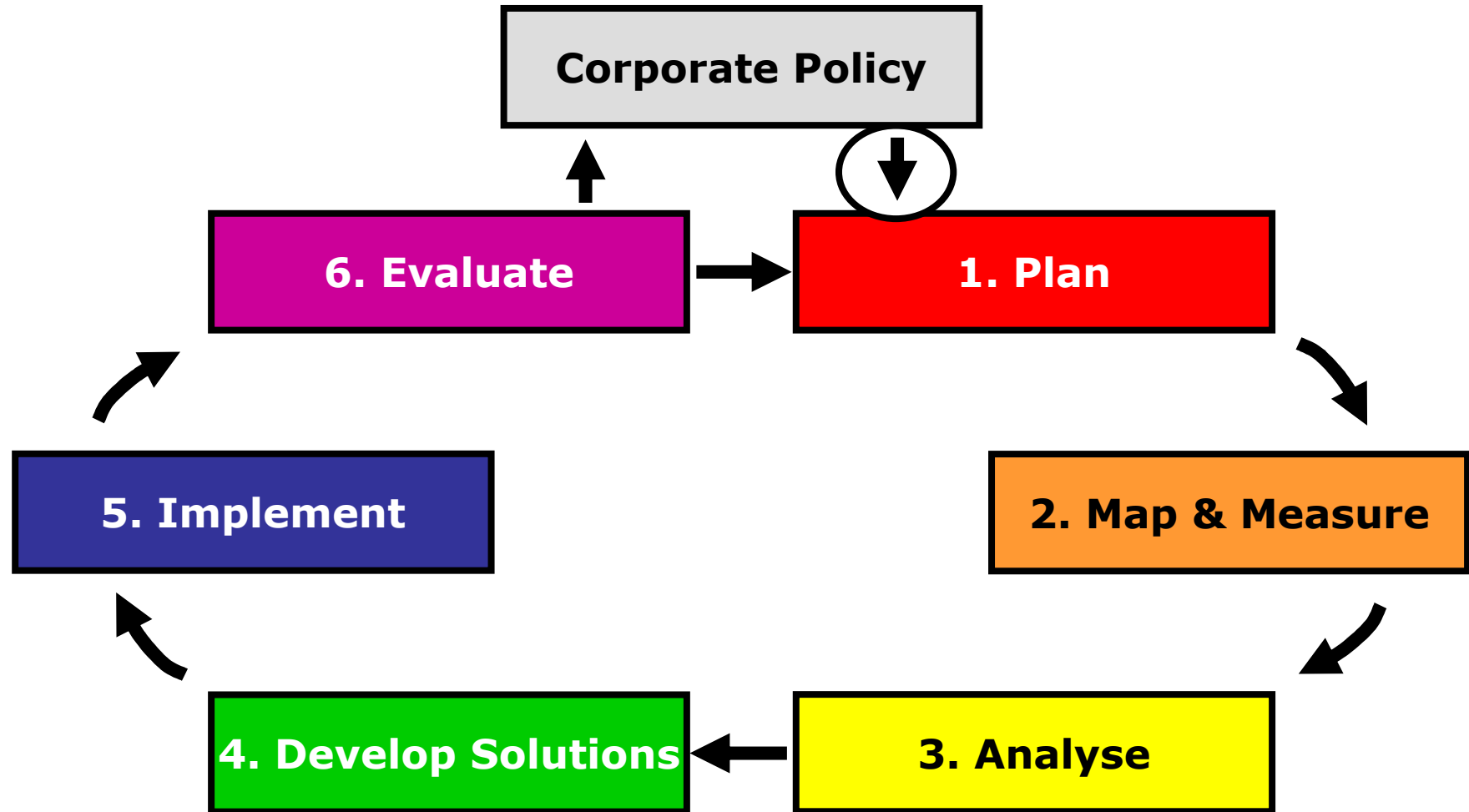


Source: University of Leicester 2007: Habits of USA Low Shrink Retailers

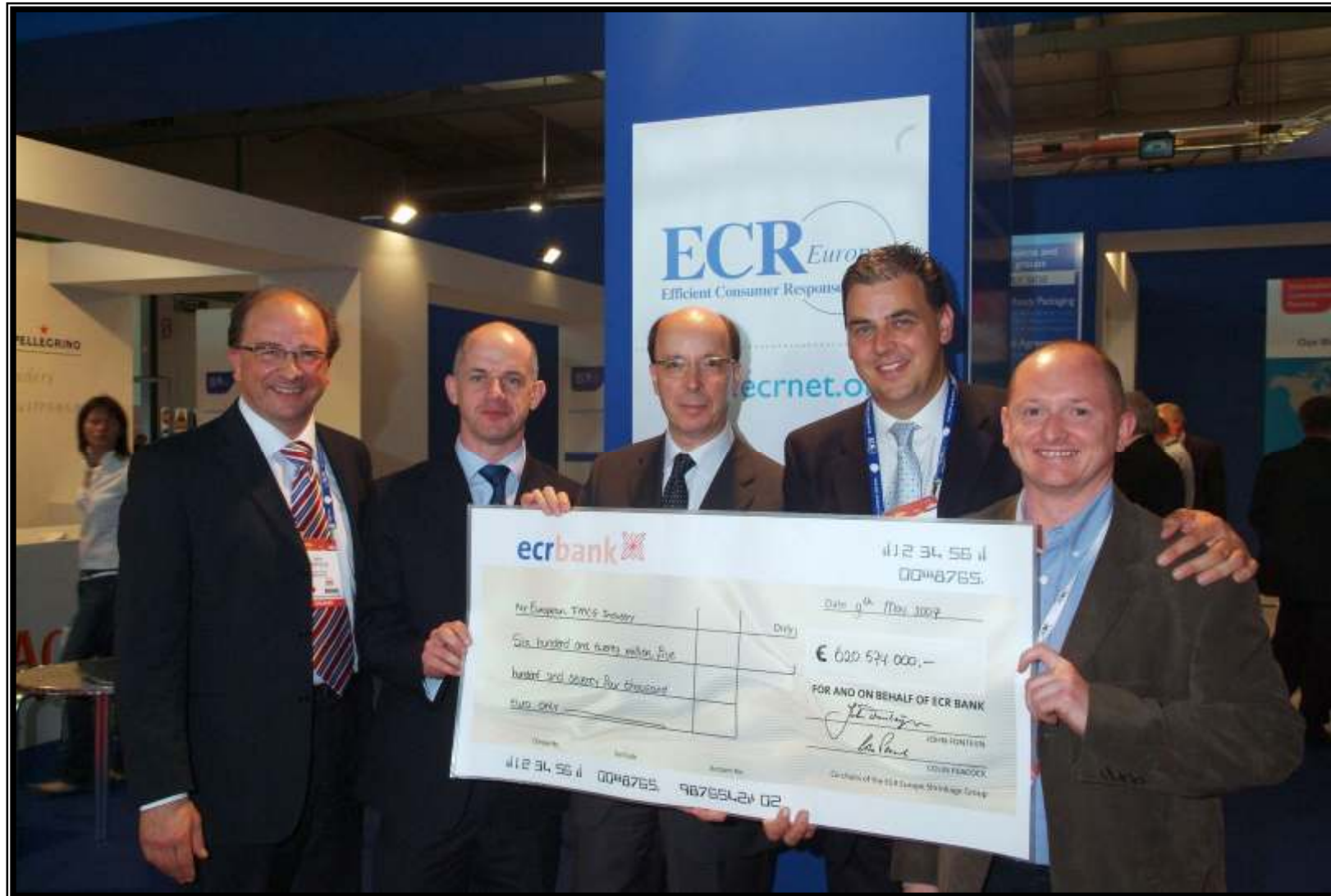
ECR Europe View

- Shrink = Retailers greatest opportunity
- Shrink can be controlled
- Collaboration & ECR Approach work

ECR Road Map



ECR Approach Saved \$1 billion in Europe



Project Results

Organisations	Location	Results
Tesco	UK	\$195 million annual savings
Tesco & P&G	Hungary	- 74% losses + 288% sales
B&Q & Plasplugs	UK	- 50% losses + 33% sales
Feira Nova & Danone	Portugal	- 45% total shrink
Ahold & sausage suppliers	Poland	- 42% losses
Sainsbury's Spirits category	UK	- 40% losses + 10% sales
Sonae & Colgate Palmolive	Portugal	- 29% losses
Sainsbury's & Menzies	UK	- 25% losses + 10% sales
Wickes & GET	UK	- 7% losses

Summary

- Shrink = Retailers greatest opportunity
- Shrink can be controlled
- Collaboration & ECR Approach work
 - Lets work together



Thank You

peacock.c@pg.com