

# PUSHING OUT PROFITS

Loss Prevention's Missed Opportunity



## Retail Loss Prevention.

These three words have consistently drummed up instant visuals of catching shoplifters and terminating dishonest employees. In recent years, thoughts of brand protection and Safety have joined the fray. Retail Loss Prevention is a career that is very rewarding to those who have chosen this field of endeavor, and for good reason: The value brought to organizations who have entrusted Loss Prevention teams to protect their assets has been immeasurable- quite literally. In fact, trying to accurately measure "prevention" is nearly impossible because one could never calculate who chose not to steal merchandise or who chose not to rob a store due to the preventative measures the Loss Prevention team had put in place.

Part of the reason the amount of prevention is hard to quantify is many Loss Prevention teams are consistently asked by senior executives to only report theft statistics, shrink statistics, and in some cases, safety statistics. This tunnel vision held by so many senior company executives can sometimes tie the hands of Loss Prevention teams, thereby preventing LP from escaping this same confining tunnel.

## THE MISSED OPPORTUNITY

Even though accurately capturing all things prevented is impossible, there are a few assets Loss Prevention teams should be protecting that senior executives would love to hear about, especially when protecting those assets helps increase sales. Shopping carts are part of that list of assets. Many Loss Prevention professionals may not be aware that shopping cart theft is a problem. In some neighborhoods, shopping cart theft is more prevalent than in others, but when looked at under a financial microscope, it is undeniably a problem that many retailers are not even looking at. Not many Loss Prevention professionals would consider a shopping cart an exciting asset to protect. Many may not even know they have a shopping cart theft issue because most Loss Prevention executives do not ever see the financial loss information regarding shopping carts. Shopping carts are not only stolen for scrap, but many are stolen for varying personal use. They have been stolen to be transformed into grills, go-karts, and for just plain mischief by neighborhood teens.

Missing shopping carts are such a big problem in Long Island, for example, that the New York Times reported a nearby neighborhood decided to put out a Public Service Announcement educating their citizens that they would be arrested for stealing shopping carts.

New York is not the only city who has recognized the shopping cart problem. The story goes on to say that John Long, president of the Maryland nonprofit Clean Bread and Cheese Creek, stated that over 200 shopping carts were removed from the creek that drains into the Chesapeake Bay just within a two- year period. Clearly, the problem is not regional, and it affects all retailers who provide shopping carts to their patrons.

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Theft of merchandise is clearly not a new issue for Loss Prevention professionals. What is also not a new issue is push-out theft.

Push-outs occur when a thief fills a shopping cart with large quantities of high-dollar merchandise, such as liquors, Health & Beauty products or meat. They then bypass all checkout registers and push the cart of merchandise out the door. The average loss incurred by a single push-out is estimated at **\$559**. Cart security solutions providers have solved this dilemma as well. Using advanced technology, solutions providers have developed a system in which one of the shopping cart wheels locks up whenever someone tries to exit with a cart without first going through the checkouts.

## WHAT'S IN THE NUMBERS?

Not only are push-outs and stolen shopping carts common sources of direct financial loss, they are also sources of sales decline. Every consumer has experienced the frustration of arriving to a retail store with a shopping list in hand, only to find no available shopping carts. Customers either choose to leave and shop elsewhere, or fill a hand basket with a small fraction of what they came for and find the rest elsewhere.

It's easier to attain new customers than it is to earn back lost customers. Once shopper loyalty is diminished, it is an expensive uphill battle to earn back their business. One statistic to keep in mind is that on average, loyal customers are worth up to 10 times as much as their first purchase. And it takes 12 positive experiences to make up for one unresolved negative experience. These two facts are staggering, and certainly grab the attention of senior executives. So, where does cart security come in? v

Joseph B. Cahill, a staff reporter for The Wall Street Journal, revealed that customers with shopping carts in mass-market retail stores purchase an average of 7.2 items versus 6.1 items without a shopping cart. That is an 18% increase in item count – an incredible feat by any retailer's standards. It is also important to note that these numbers were derived from a study conducted by America's Research Group Inc., a Charleston, S.C., market research firm.

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Shopping carts cost average retailers between \$100 and \$150 each, depending upon cart size, design, construction materials (plastic cart, metal cart, etc.), and number of carts being purchased. In order to calculate the true cost of losing one shopping cart to theft for an average supermarket, we must first determine the profit margin for the retailer. It is well known that retail profit margins are razor-thin. Supermarkets in particular have some of the lowest net profit margins in all of retail. In fact, supermarkets only average a net profit of about 2%. This low net profit percent has been relatively consistent within the supermarket industry for quite some time, only fluctuating a tenth of a percent one way or the other year after year. This means that at a cost of \$125 per shopping cart, and a net profit percent of 2%, it takes \$6,250 in sales to generate enough profit to replace one shopping cart. If we extrapolate these numbers over the entire company, a 250-store chain would be spending the profits from over \$1.5 million in sales on replacing one cart per store per year.

## REFRAMING PERSPECTIVES

In a recent whitepaper published by The Calibration Group entitled, *Winning with High Shrink: New Rules for an Old Game*, the art of Reframing was discussed. In that whitepaper, reframing was defined as, "changing the conceptual and/or emotional viewpoint in relation to which a situation is experienced, and placing it in a different frame that fits the 'facts' of a concrete situation equally well, thereby changing its entire meaning."

The example above regarding the costs of shopping carts was a perfect example of reframing. If the 250-store chain lost one shopping cart per store to theft per year, then at a replacement cost of \$125/ shopping cart, the total cost of replacing 250 shopping carts would be \$31,250. This is where many Loss Prevention professionals lose focus. By reframing to look at the losses from a sales standpoint, the direction and strategy on where to invest LP time and resources comes more in focus.

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Most, if not all Loss Prevention executives will attest that most executive meetings are not focused on improving profits. Sure, cost-cutting is a frequent topic and that certainly lends its hand toward net profit enhancement. But most executive meetings are focused on increasing sales. New products, new competitive pricing, new adds and building new stores are often the rage in these high-level meetings. "Sales cures all ills" is a famous retail saying, and rightfully so. Therefore, in order to obtain the undivided attention of senior executives, the most successful Loss Prevention executives spend little time talking about "the costs of loss" and more about the impact the loss is having on sales. If the highest level executives are talking about sales, then it is important that any initiative loss Prevention is trying to implement be spoken about in terms of sales impact.



## ROUNDING HOME

Rounding Home is a baseball term used to describe a player heading feverishly toward home base. Loss Prevention, as an industry, strives for homeruns day in and day out. Sometimes homeruns are achieved and sometimes they are not. But not unlike winning baseball teams, the goal of a forward-thinking Loss Prevention team should not be to hit homeruns, according to many seasoned LP executives.



The goal should be to get as many base hits as possible and by doing so, they will always win the game. Sure, once in a while a double may show its face, or even an occasional grand slam for that matter. But the most successful Loss Prevention teams focus on small wins each and every day and by doing so, they consistently enjoy the spoils of rounding home for the big win several times throughout the year. Protecting shopping carts is a low cost, high return proposition. It requires no continuous Loss Prevention manpower, no unreasonable service costs, and no technology upgrades. It is a very simple solution to an unknown problem that will give every Loss Prevention team a checkmark in the win box very quickly. And for those Loss Prevention executives who focus on sales protection rather than just shrink reduction, the wins just keep coming.



Rocateq is a **leading** international cart security, check out security, basket security, and business intelligence solution provider. Rocateq is committed to providing retailer's quality, valuable and actionable technology, and software that contributes to smarter shrink control solutions and profit enhancement. As any retailer knows, smarter shrink control equals profit growth.

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