**PEOPLE I PROPERTY I REPUTATION**

# ASSET
## PROTECTION

**FMI**

**THE VOICE OF FOOD RETAIL**
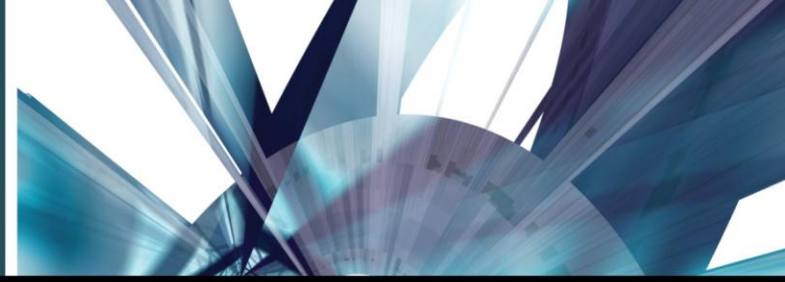
# Introduction
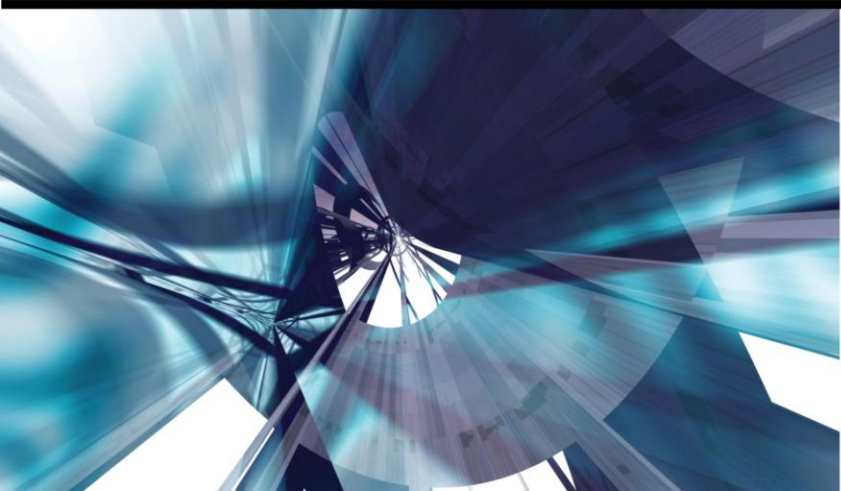
# Presenters

Nick Bertram

SVP Store Strategy & Execution, Ahold USA


Scott Ziter

Vice President Asset Protection, Ahold USA

Vice Chairman, FMI Asset Protection Council

Stop&Shop · Giant · GIANT · MARTIN'S · Peapod

## Ahold strategic framework



We have a robust **business model**, built on strong local brands... we are keeping our **promises**... and we have the ambition to drive performance and go for **growth**.

ALLOCATE CAPITAL TO NEW GROWTH · LOWER COST BASE · DRIVE IDENTICAL SALES GROWTH · BUILD STRONG CONSUMER BRANDS

Ahold is becoming
a better place to shop,
a better place to work,
and a better neighbor.

Better place to shop
Better every day
Better place to work
Better neighbor

**Creating growth:**
- Increasing customer loyalty
- Broadening our offering
- Expanding geographic reach

**Enabling growth:**
- Simplicity
- Responsible retailing
- People performance

**Our values**
Putting the customer first; Doing what's right; Loving what we do; Making ideas happen; Getting better every day

**Our vision**
Better choice. Better value. Better life. Every day.

### Facts & figures
**Head offices:** Carlisle, Pennsylvania, and Quincy, Massachusetts
**Brands:** Stop & Shop, Giant Food, Giant Food Stores, Martin's Food Markets, Peapod
**Store formats:** Supermarkets (some stores include full-service pharmacies), superstores, online grocery
**Leadership:** James McCann (Chief Operating Officer)
**Employees:** 120,000 (2012)

### Ahold USA Executive team
- James McCann – Chief Operating Officer
- Tom Hippler – EVP Legal & General Counsel
- Dan Sullivan – EVP Finance & CFO
- Jan van Dam – EVP Supply Chain & E-Commerce
- Mark McGowan – EVP Merchandising
- Bhavdeep Singh – EVP Operations
- Kathy Russello – EVP Human Resources
- Erik Keptner – EVP Marketing and Consumer Insights
- Paul Scorza – EVP IM

# Vision

# 5 Year Plan

- Commitment to over $50m in Shrink reduction by 2018

"Shrink Reduction is a Culture, not a Program."

# Ambition

# Governance and Ownership
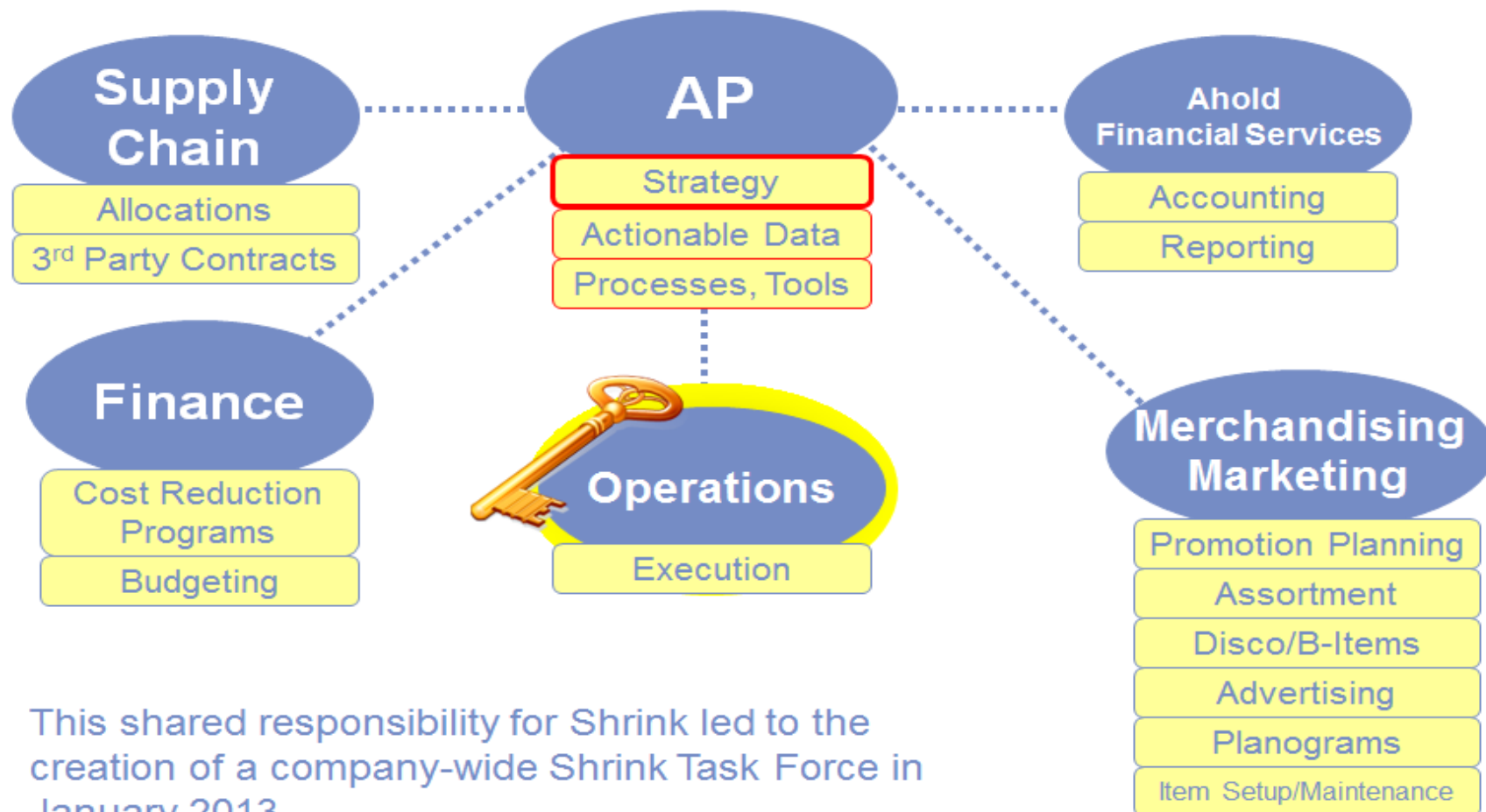
# Shrink Governance Structure
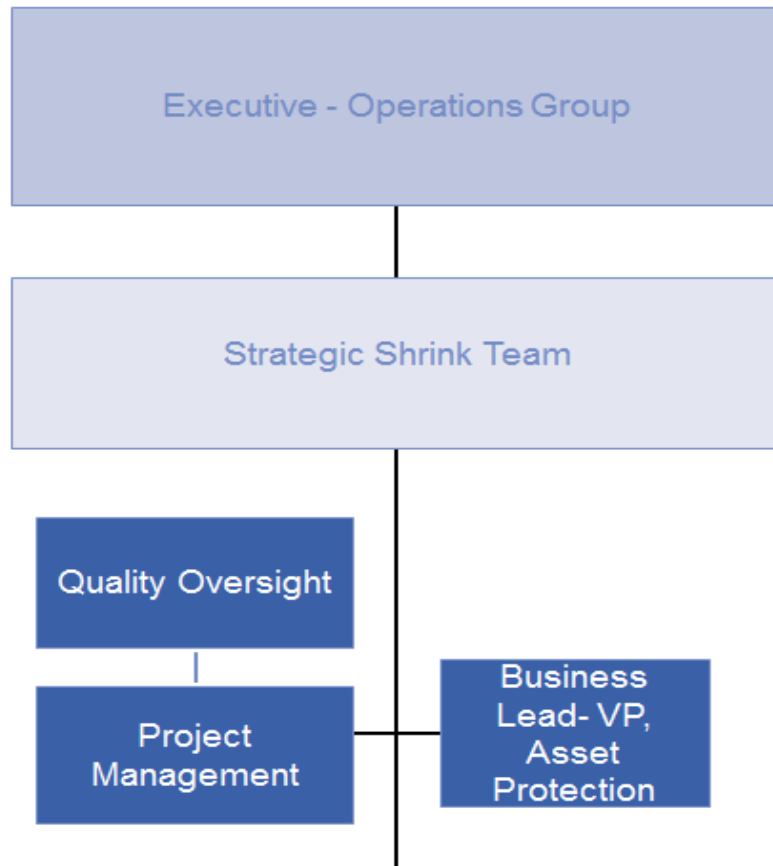


| Shrink Task Force Members | Lead (SME) | Business Support Team |
|---|---|---|
| AUSA Asset Protection | | |
| NE Division Asset Protection | | |
| NYM Division Asset Protection | | |
| GC Division Asset Protection | | |
| GL Division Asset Protection | | |
| Division Operations | | |
| Operations- District Directors and Store Managers | | |
| Retail Operations Support | | |
| Ahold Financial Services (AFS) | | |
| Information Management (IM) | | |
| Business Planning & Performance / Division Controller- Finance | | |
| Process Efficiency | | |
| Merchandising – Non Perishable | | |
| Merchandising – HBC | | |
| Merchandising – Pricing | | |
| Merchandising – Fresh | | |
| Supply Chain – KLT | | |
| Supply Chain – Replenishment | | |
| Supply Chain – Third Party Contracts | | |

Executive - Operations Group

Strategic Shrink Team

Quality Oversight

Project Management

Business Lead- VP, Asset Protection

# ASSET PROTECTION

**PEOPLE I PROPERTY I REPUTATION**

# Shrink Task Force

**Lead:** Scott Ziter

**Period:** 2

**Status**
Green = work stream on schedule
Yellow = major deliverable / timeline at risk
Red = major deliverable / timeline impacted
Blue = complete
Gray = on hold

**G**

| Major Deliverable/Milestone | Start Date | End Date | % Complete | Status |
|---|---|---|---|---|
| | 1/1/14 | 12/31/14 | 25% | G |
| | 1/1/14 | 5/1/14 | 38% | G |
| | 1/1/14 | 12/31/14 | 50% | G |
| | 1/1/14 | 2/14/14 | 100% | B |
| | 3/3/14 | 7/1/14 | | Y |
| | 1/1/14 | 4/1/14 | 75% | G |
| | 1/1/14 | 7/1/14 | 60% | G |
| | 1/1/14 | 12/31/14 | 7% | G |
| | 1/20/14 | 12/31/14 | 25% | G |
| | 1/1/14 | 12/31/14 | 25% | G |

**Project Status**

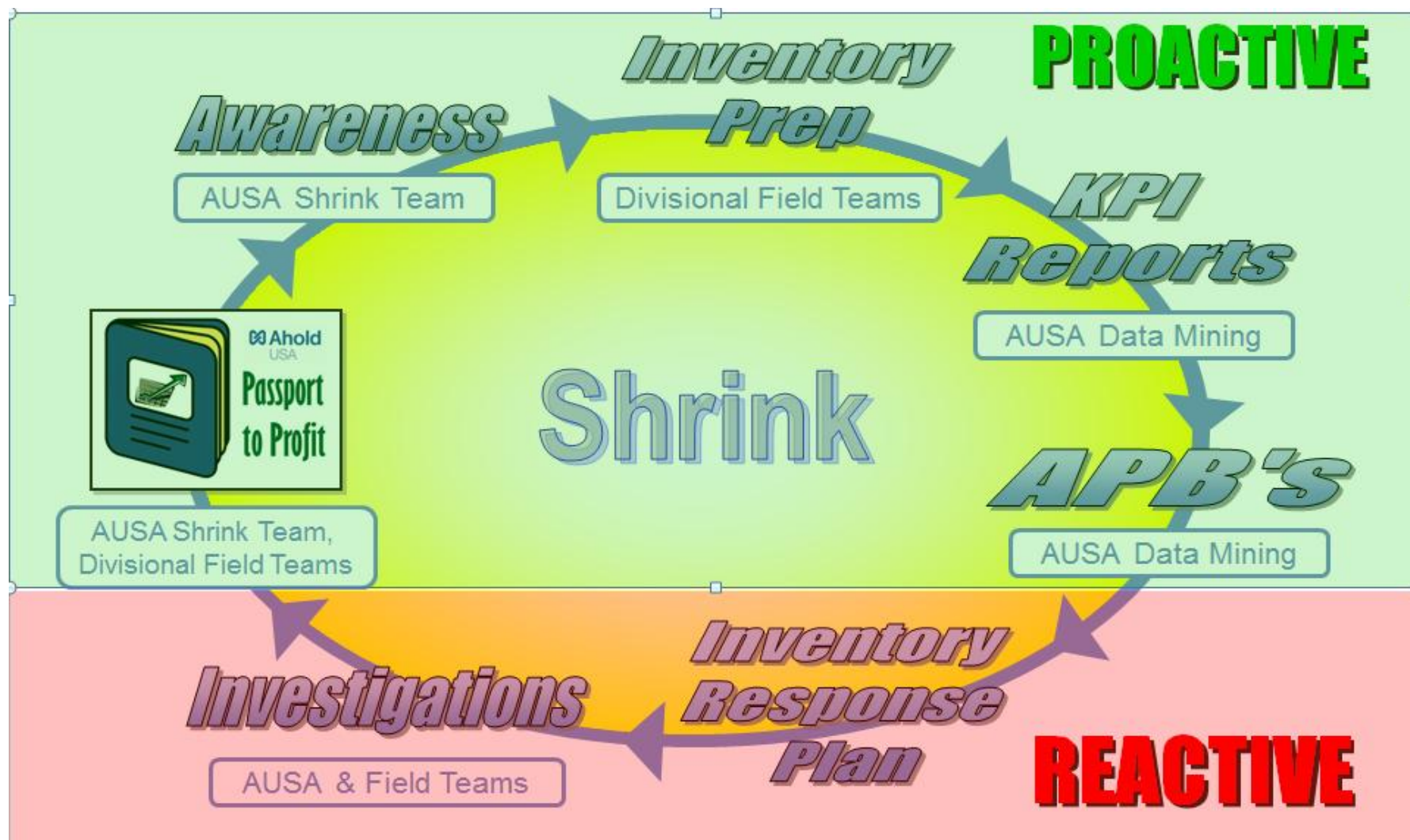| Completed Deliverable or Activity | Upcoming/Overdue Deliverable, Activity or Milestone | Critical Issue/Risk and Planned Resolution |
|---|---|---|
| • Click to add text | | |

# Measure, analyze and plan

# A Comprehensive Strategy

# Passport to Profit

- The cornerstone operational shrink reduction program

- Includes checklists to evaluate shrink performance in every selling department

- Additional areas covered such as Receiving, Asset Protection (physical security), Management, and Front End

- Facilitated by AP Managers – direct involvement with store management and department heads

- Proactive "everyday" program, ongoing across all Divisions

  – "Snapshot" version to hit all departments

  – Divisional "discretionary" tabs

  – Graded with % score

  – Core Audit / Repeat violation indicators

# Shrink Awareness Program

- AP Newsletter (monthly)

- "Shrink Tips" publication (monthly)

- Shrink posters (quarterly)

- Investigations Bulletins (as needed)

- Contribute shrink content for Department training manuals, CBT courses

- Live training sessions

- Conference calls, presentations

# KPI Reporting

- Our Data Mining team creates and publishes a series of period reports on shrink Key Performance Indicators (KPI's) including:

    – Non-DSD charges

    – Third party supplier credits

    – KLT Top 10 items by department

    – Reclamation credits (and unauthorized items sent to reclaim)

    – Poor quality claims

    – Sampling credits

    – Cash over/shorts

    – Bad checks

    – Counterfeit currency accepted

    – Markdown credits

    – Private label bread shrink

    – ORC incidents

# Asset Protection Bulletin (APB)

## Left Form

ASSET PROTECTION
Pro Active
PROFIT PROTECTION
APB  Period 11

| Store | Div | District | Region | AP Field Mgr |
|---|---|---|---|---|

**Non Perishable Inventories (Cost)**

| Most Recent Inv | Shrink % | Previous Inv | Shrink % | 2nd Previous Inv | Shrink % |
|---|---|---|---|---|---|

**Non Perishables**

| | Shrink % YTD | Budget % YTD | Actual vs Budget | Opportunity $ YTD |
|---|---|---|---|---|
| Total Non Perishables | | | | |
| Grocery | | | | |
| Frozen | | | | |
| Dairy | | | | |
| HBC | | | | |
| GM | | | | |
| Natural Foods | | | | |
| Beer Wine | | | | |

**Perishable Shrink**

| | Shrink % - Period | Budget - Period | PD vs. Budget | Shrink % - YTD | Budget % YTD | YTD vs. Budget | Opportunity $ YTD |
|---|---|---|---|---|---|---|---|
| Total Perishables | | | | | | | |
| Produce | | | | | | | |
| Floral | | | | | | | |
| Meat | | | | | | | |
| Seafood | | | | | | | |
| Deli | | | | | | | |
| Bakery | | | | | | | |

**Total Food Shrink (NP + Perishable)**

| Shrink YTD | Shrink Budget YTD | Variance | Opportunity |
|---|---|---|---|

**C+S Credits**

| # PD | $ PD | % of Sales PD | % of Sales Dist Avg PD | # YTD | $ YTD | % of Sales YTD | % of Sales Dist Avg YTD |
|---|---|---|---|---|---|---|---|

**Non DSD Activity- Current Period**

| # Invoices PD | $ Retail PD | # Invoices YTD | $ Retail YTD | # Invoices Dist Avg YTD | $ Retail Dist Avg YTD |
|---|---|---|---|---|---|

**Electronic Markdowns**

| $ PD | % of Sales PD | $ YTD | % of Sales - YTD | $ Dist Avg YTD | % Dist Avg YTD |
|---|---|---|---|---|---|

**Private Label Bread Shrink**

| PD Sales | PD KLT Destroy | PD KLT Mkdown | Retail Shrink | Shrink % | Dist Shrink % |
|---|---|---|---|---|---|
| YTD Sales | YTD KLT Destroy | YTD KLT Mkdown | Retail Shrink | Shrink % | Dist Shrink % |

## Right Form

ASSET PROTECTION
Pro Active
PROFIT PROTECTION
APB  Period 11

| Store | Div | District | Region | AP Field Mgr |
|---|---|---|---|---|

**Reclamation**

| $ PD | % of Sales PD | % Dist Avg PD | $ YTD | % of Sales YTD | % Dist Avg YTD | Unauthorized PD | Unauthorized YTD |
|---|---|---|---|---|---|---|---|

**KLT Usage/ Shrink - Meat Dept**

| PD Meat Sales | PD Markdown Loss | Avg PD Markdown % | Dist Avg | PD Total Destroys | No Markdown Destroys | % of Sales | Dist Avg |
|---|---|---|---|---|---|---|---|
| YTD Meat $ | YTD Mkdown Loss | Avg YTD Mkdown % | Dist Avg | YTD Total Destroy | No Markdown Destroys | % of Sales | Dist Avg |

**Sampling Credits**

| $ PD | Dist Avg PD | $ YTD | Dist Avg YTD |
|---|---|---|---|

**Poor Quality Credits**

| $ PD | % of Sales PD | % of Sales Dist Avg PD | $ YTD | % of Sales YTD | % of Sales Dist Avg YTD |
|---|---|---|---|---|---|

**Bad Check Expense**

| $ PD | % of Sales PD | $ YTD | % of Sales YTD | % of Sales Dist Avg YTD |
|---|---|---|---|---|

**Voids**

| $ PD | % of Sales PD | % of Sales Dist Avg PD |
|---|---|---|

**Cash Over/Short (negative is overage)**

| $ PD | % of Sales PD | % Dist Avg PD | $ YTD | % of Sales YTD | % Dist Avg YTD |
|---|---|---|---|---|---|

**Store Coupons**

| $ PD | % of Sales PD | % of Sales Dist Avg PD |
|---|---|---|

**Vendor Coupons**

| $ PD | % of Sales PD | % of Sales Dist Avg PD |
|---|---|---|

**Organized Retail Crime Incidents**

| # PD | $ PD | # YTD | $ YTD |
|---|---|---|---|

**Refunds**

| # PD | $ PD | Avg Value PD | % of Sales PD | % of Sales Dist Avg PD |
|---|---|---|---|---|

**Counterfeit Bills**

| $ PD | $ YTD | $ Dist PD | $ Dist YTD |
|---|---|---|---|

**No Sales**

| # PD | Customers per No Sale | # Dist Avg | Customers per No Sale Dist Avg |
|---|---|---|---|

**Non Scanned / Department Key Sales**

| % PD | % Dist Avg PD | % YTD | % Dist Avg YTD |
|---|---|---|---|

**Average Item Value**

| PD | PD Dist Avg | Average Order Size | PD | PD Dist Avg | IPM | PD | PD Dist Avg |
|---|---|---|---|---|---|---|---|

# Non-Perishable Shrink Response Plan

- Implemented in 2012; designed for bottom 20% of inventory results

- Any published result over the established Divisional threshold (total NP shrink % at cost) triggers activation of the Divisional Shrink Team.  The District Director and Asset Protection Manager lead the Team.

- The Team conducts Passport to Profit visits for Front End, Management, Asset Protection, Receiving and all NP departments

- Based on the findings, the Team meets with Store Management to discuss opportunities for improvement.

- The Store Manager develops a written improvement plan based on the feedback received.

- Follow-up meetings are held including members of Store Management, the AP Manager, and the District Director to ensure that opportunities are addressed.

# Implementation

# Why Have Asset Protection Own Shrink?

- Regardless of accounting definitions, shrink is really **any type of loss** – it doesn't matter if it was caused externally (theft/fraud) or internally (lack of execution)

- A two-pillar strategy addresses all forms of loss and provides clear expectations and standardization of policies and procedures which impact total company profitability.
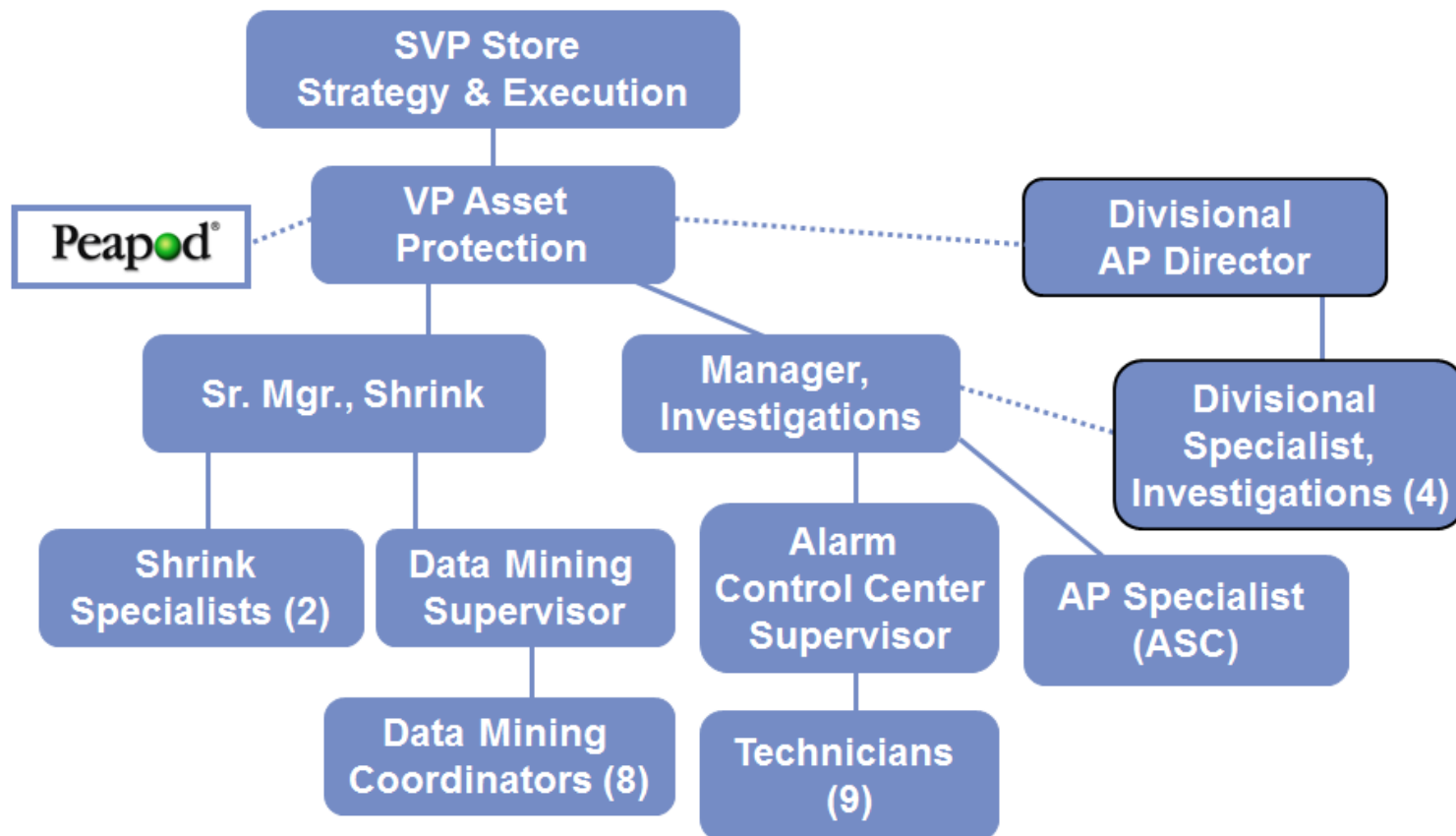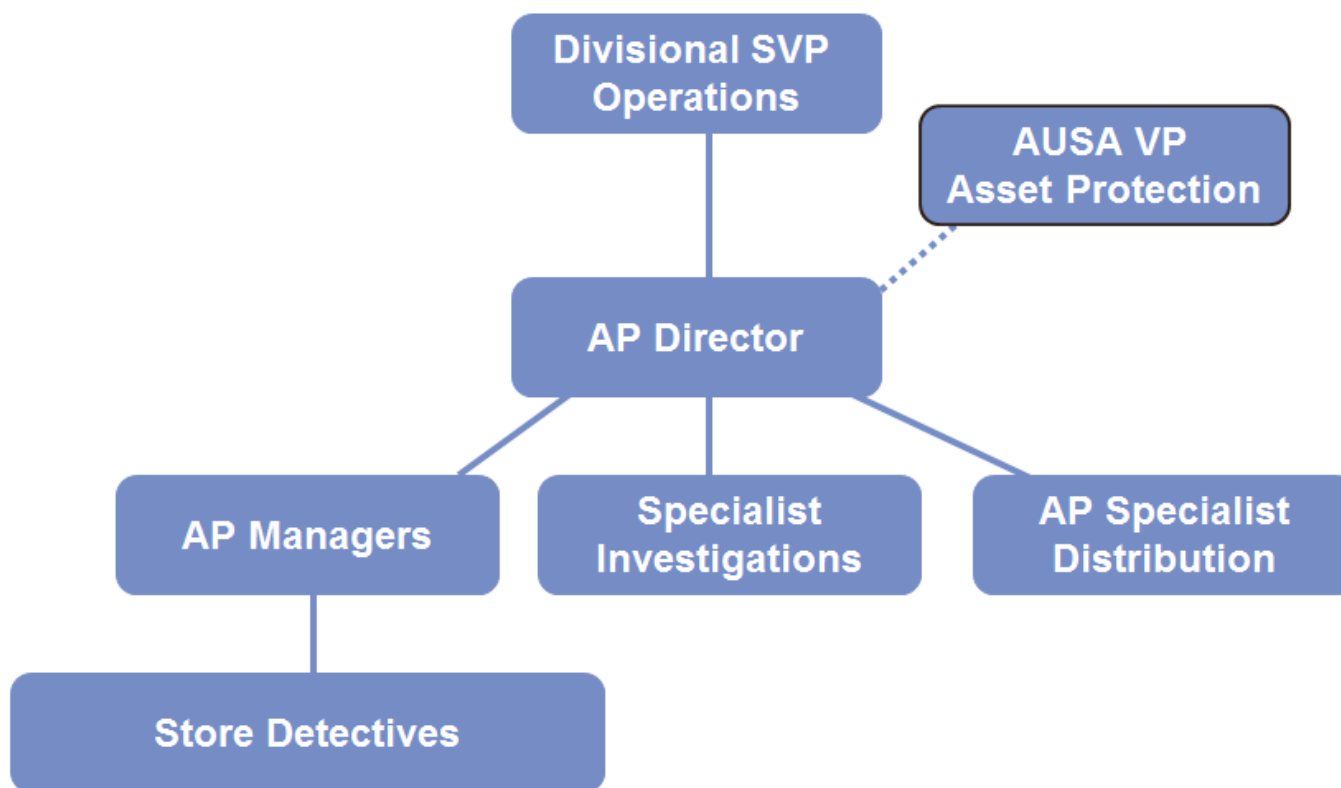


Shrink → ⚖ ← Investigations

Success requires BALANCE

# AUSA Asset Protection

# Divisional Asset Protection

# AUSA Shrink Team

- Partners with key stakeholders to drive the shrink strategy

- Develops policy & procedure relating to shrink reduction

- Serves as SME's on shrink for the business

- Visits stores to provide first-hand observations / suggestions

- Supports resource for stores

- Manages the shrink awareness program (monthly newsletter, shrink tips, shrink posters)

- Facilitates shrink training for store associates and asset protection teams

- Works with Ahold Financial Services to calculate impact of business or accounting changes

# AUSA Data Mining Team

- Transaction Monitoring
  - Shrink Trax (POS)
  - DSD
  - Case research for AP Managers
  - Respond to tips and inquiries from Store Management

- Reporting
  - Key Performance Indicators (KPI's)
  - Shipment vs. Sales analysis (In & Out)
  - "APB" - Asset Protection Bulletin (summary document)

- Resource for the stores – Data Mining Supervisor and dedicated Data Mining Coordinators

# Investigations & Corporate Security



- Major cases / ORC

- Corporate Security

- Alarm Control Center

- Executive Protection

- Coordinate AP participation in Emergency Response

- Distribution Asset Protection- AUSA

- Coordinate with Data Mining and Division teams to investigate/research major theft & fraud cases

- Manage CCTV platform and technology
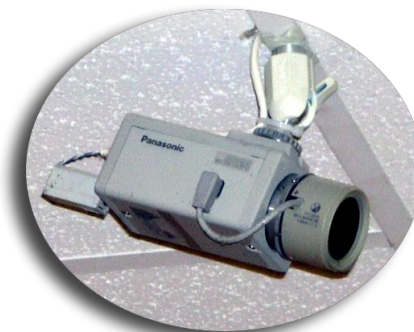
# Technology Enhancements

- Considering several projects designed to:

  - Maximize utilization of CCTV investment and get to one platform

  - Conduct analytics - leverage multiple data points to identify cost reduction and shrink opportunities

  - Identify bottom of basket (BOB) items at checkout

  - Prevent "sweet hearting" by cashiers

  - Add greater case management capabilities to the Incident Reporting System

  - Conduct Passport to Profit visits electronically to provide better reporting

  - Reduce exposure to theft on high risk items

  - RFID shelf technology for ORC items and Out of Stock monitoring

# RESULTS

# 2013 Shrink Results
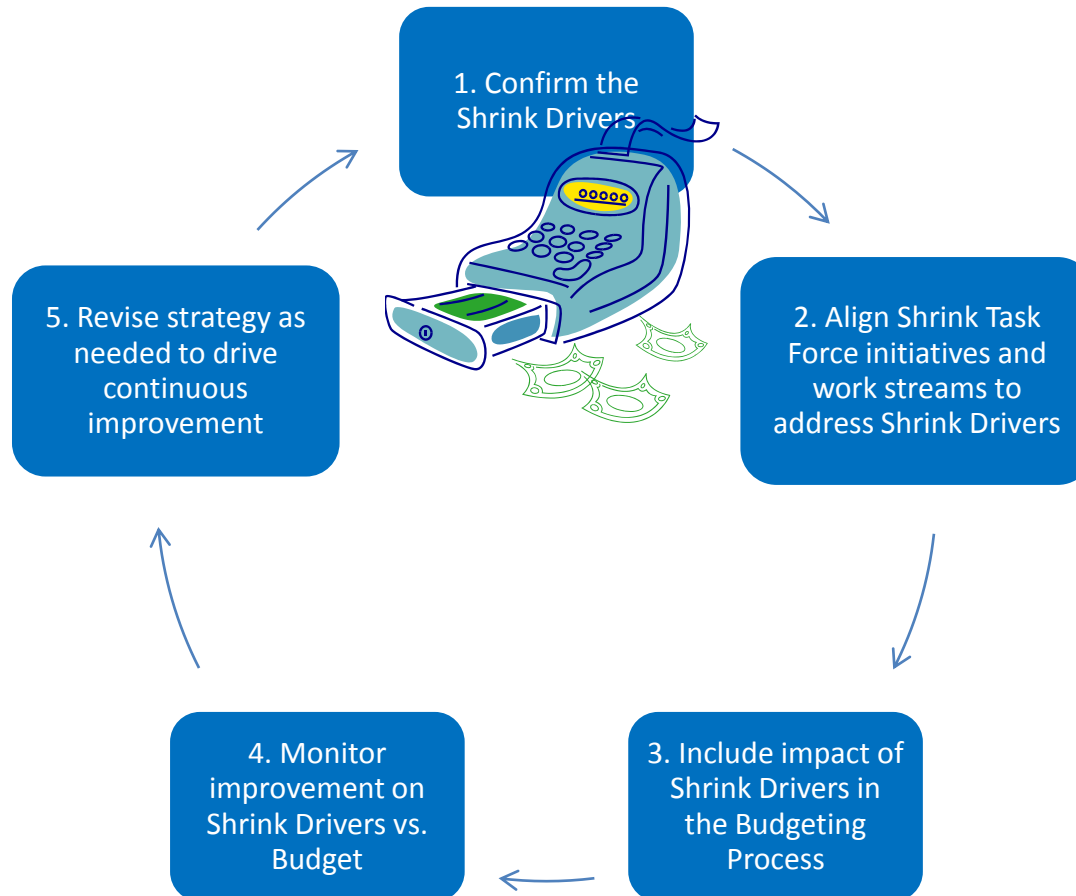
- Non-Perishable shrink results are favorable by 9bp vs. 2012

- Fresh shrink results are favorable by 5bp vs. 2012

- Total Store shrink results are favorable by 5bp vs. 2012

# Shrink Test Stores

Regional test or "shrink focus" stores were established as a lab environment and to implement identified best practices

| Stores | YTD PD. 11 2012 Shrink % | YTD Pd. 11 2013 Shrink % | Variance to LY | Test Store Improvement vs. Division |
|---|---|---|---|---|
| A | | | 0.17% | 0.00% |
| B | | | 0.01% | -0.16% |
| C | | | 0.09% | -0.08% |
| D | | | 1.51% | 1.34% |
| E | | | 0.44% | 0.38% |
| F | | | 0.44% | 0.39% |
| G | | | 0.32% | 0.26% |
| H | | | 0.38% | 0.19% |
| I | | | 0.39% | 0.20% |
| J | Proprietary | | 0.87% | 0.69% |
| K | | | 0.44% | 0.51% |
| L | | | 0.41% | 0.48% |
| M | | | 0.01% | 0.07% |
| 13 Test Store Total | | | 0.36% | 0.27% |
| Division 1 Test Stores | | | 0.30% | 0.13% |
| Division 2 Test Stores | | | 0.39% | 0.34% |
| Division 3 Test Stores | | | 0.51% | 0.32% |
| Division 4 Test Stores | | | 0.24% | 0.31% |

*All 13 Test Stores have shown shrink improvement vs. LY*
*The Test Stores have improved over the rest of the Company by 35 BP*

# THANKS FOR YOU ATTENTION!



"Shrink Reduction is a Culture, not a Program."

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