

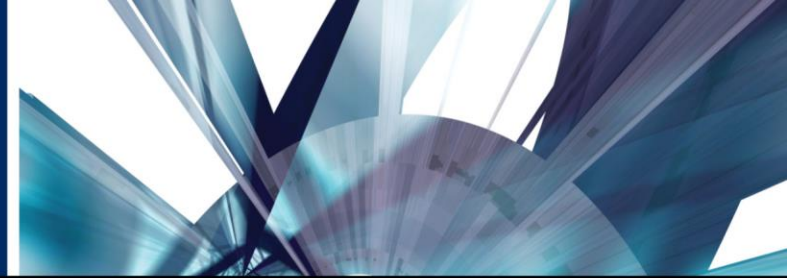
PEOPLE | PROPERTY | REPUTATION

ASSET PROTECTION



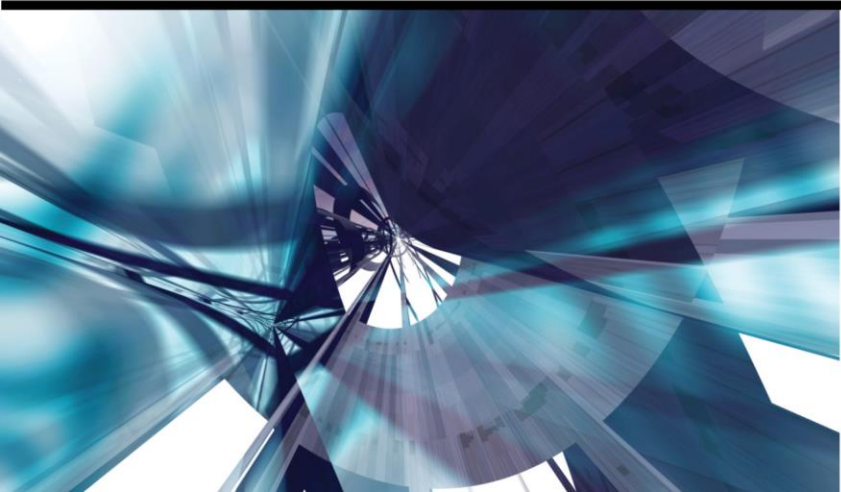
THE VOICE OF FOOD RETAIL 

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MITIGATING DIVERTER RISK

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NATIONAL MANAGER, ORC UNIT
CVS HEALTH



THE VOICE OF FOOD RETAIL 

Spelling Lesson



Agenda

- Diverter/Wholesaler Process
- Risk associated with Diverters
- Mitigation Steps

Diverter Process

- Independents/Small Chains
 - Manufacturer Purchase
- Manufacturer Out-of-Stock
- Retail Overbuys
 - Sell off excess product
 - Carrying costs

Diverter Process

- Manufacturer Sales Quotas
 - Must hit numbers
 - Carrying Costs
- Bonus Boxes
 - Over Produce



Diverter Process

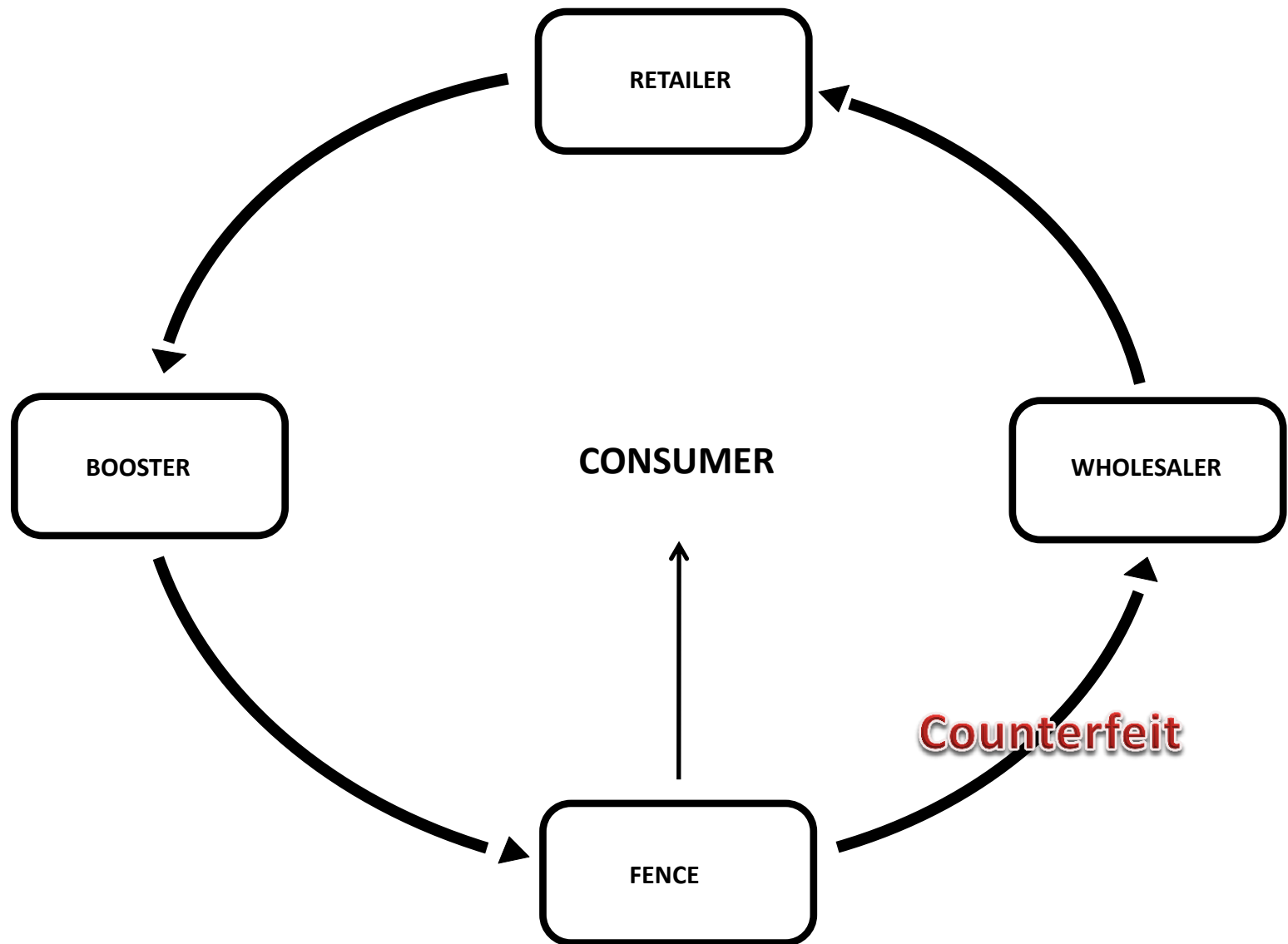
- Close Out Goods
 - New Style/Package
- Display Product
 - Retail DC Specs



Risk Associated with Diverters



General Path of Stolen Retail Goods



200+ Retail Stores in 10 Day Period



Houston Fence 3-4 Days



Level 1 Fence

- Oversees levels 1,2, & 3 Boosters.
- Recruits / Trains Boosters.
- May appear to be a legitimate business.
- May have 10-20 boosters visit per day.
- May move purchased product daily or weekly to level 2 Fence.
- May have online account.



Level 2 Fence

- Purchases property from levels 2 & 3 Boosters and Level 1 Fence.
- Operates and or oversees repackaging warehouse.
- May operate out of their home.
- Remove markings from product.
- Repackage product.
- May have online account.
- Sells to Diverters



Level 3 Fence (Diverter)

- Operates as a Wholesaler/Distributor mixing legitimate product with stolen product or does not know product is stolen or counterfeit.
- Obtains product from level 3 Booster and 2 Fence.
- Moves product back into commerce.

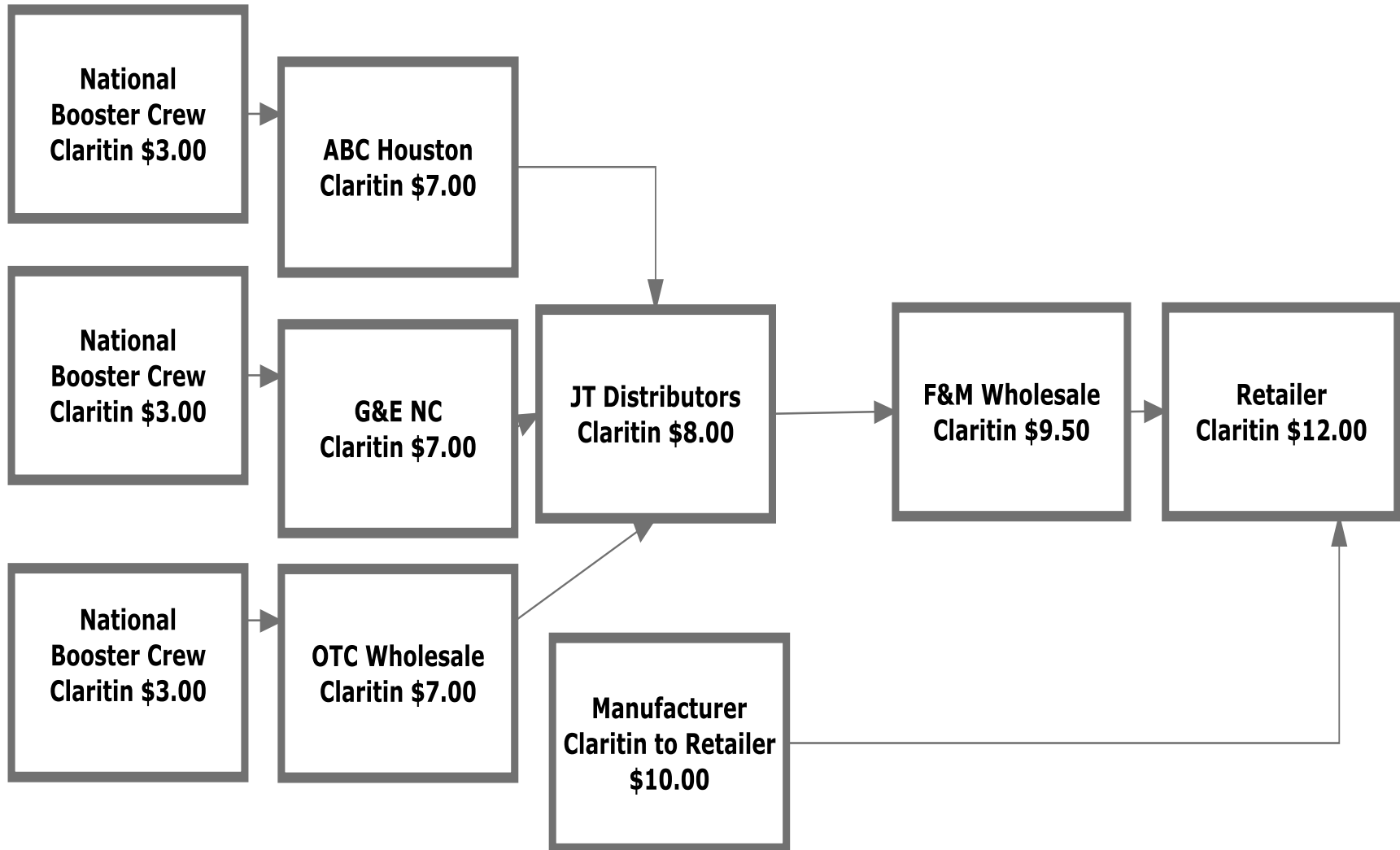


Wholesaler
Salvage Company

Risk Associated with Diverters



Product Flow Chart



Risk Mitigation

- Who does your company use
- Selection Process
- Prescreening Process

Risk Mitigation

- Mixed lot product/high risk product
- Warehouse Inspections
- Product Pedigree
- Product Integrity Process (Counterfeits)

Risk Mitigation-Site Inspections

- Evidence of Store Labels
- Booster Packing Slips
- FedEx/UPS Boxes-Labels

Asset Protection

- People
- Property
- **Reputation**

ASSET

PEOPLE | PROPERTY | REPUTATION

PROTECTION



- Questions?