

SHRINK

Managing your magazine business

This feature presents the findings of a 9-month research project into shrinkage by a joint industry team taken from all sectors of the newspaper and magazine supply chain.

Learning from the experiences of other industries affected by shrink, the project has been designed to identify areas and processes at risk – and what action needs to be taken both in-store and upstream.

Tackling shrink

Shrink is a universal problem affecting everyone and all products in the supply chain, including retailers and publishers. It costs British retailers millions of pounds every year, burning a big hole in profit margins. Recognising the problem is one thing, doing something about it is quite another. Luckily, tackling shrink in store can be easy; just follow these simple steps and you'll soon be minimising losses – and maximising profit.



THERE IS A LOT OF HOT AIR and hearsay about shrink. In reality, it affects all products across the whole supply chain, and the solution is often common sense. If you take the time to address the problem, identify the risks and take action you can successfully reduce shrink – and enhance your profit.

Shrink affecting publishers and wholesalers is beyond your control, but more than half of all shrinkage takes place within stores. At best shrink accounts for a 2% loss of sales value, and at worst it can be closer to 20% – a loss that will have a major impact on your profit margin.

It is easy to assume that all the problems lie somewhere else but if action in your store can turn a lost copy, which you have paid trade price for, into a sold copy, then that is worth four times the margin of a normal sale. Even if the copies do not sell, turning lost copies into returned copies is worth the margin on three sales.

THERE ARE THREE AREAS WHERE SHRINK CAN EAT AWAY AT YOUR PROFITS

- 1 Theft - and not just by customers.
- 2 Mismanagement of the product within the store, leading to lost copy.
- 3 Careless handling of returns.

Kick out theft

THEFT IS OFTEN THE FIRST THING people think of when you mention shrink and it's often simply a case of using common sense to combat the problem:

- There are 'hot' neighbourhoods, 'hot' areas in shop, and 'hot' times of day: identify where and when they are in your store.
- Higher value items such as computer titles, partworks and one-shots are most at risk so position them where they can be seen by staff, in well-lit space close to the counter, not in hidden corners or by the door.
- Do not leave supplies or returns in bundles in unattended areas, where customers can help themselves.
- Make sure that customers and staff understand that theft is an issue. Put up signs making clear that theft will be prosecuted.
- Theft is not just an issue with customers: internal theft, uncomfortable as it is to talk about, can be just as much of a problem. Tell staff that it is a key part of their role to keep a watchful eye, to walk the floor and to help you to keep losses to a minimum. Do stock counts; even if you cannot count everything, count the items most at risk.
- Cycle the products being checked; being seen to do this has been proven to reduce theft, as well as identifying if, where and when you have a problem.



Keep on top of stock

POOOR MANAGEMENT RESULTS IN HIGHER LOSSES SO MAKE SURE YOUR PROCEDURES AND SUPERVISORS ARE UP TO THE JOB - and that they realise they are responsible for any losses. Focus on staff training: your staff are using up your money so make sure they earn more than they cost! Here are some more easy-to-follow steps to better stock management:

- The newsstrade is often dependent on part time staff and thus has a frequent staff turnover; focus on making sure that new staff know what is expected of them.
- Holidays are another situation for well-meaning but untrained relief staff to unintentionally allow losses. They need to be guided and supervised; it is at times like these that shelf replenishment is not done properly.
- Record your losses on a chart to remind you and your staff of the value of taking action.
- Ask your staff for their help to cut theft and processing errors, and recognise their contribution. And don't stop, keep it going

- shrink creeps back if you take your eyes off the problem.
- Allocate goods-in and returns to one member of staff – do not split tasks.
- Ensure your pricing files are up to date; use the NTF as a reference (www.nationallittlefile.co.uk).
- EPoS improves stock management and is well worth the investment. Check your sales and returns against your stock to pinpoint where areas of loss are occurring and when. Your wholesaler can offer EPoS system loan support.
- Replenish the shelves systematically, and periodically tidy during the day to reposition any misplaced copy. Don't over-crowd shelves.
- Make sure staff put damaged stock into returns rather than throw it away. The stock area should be tidy and well lit and keep a regular space for stock: misplaced product will burn a hole in your profits.
- Finally, home-delivery and shop-save copies are another area at risk – either by not going through the till, or of not being scanned on your EPoS. So keep such copy secure and ensure staff account for these sales.

SHRINK

Managing your magazine business

Keep control of your returns
and you keep control of shrink.

At best shrink accounts for a 2% loss of sales
value, and at worst it can be closer to 20%

Many happy returns



KEEP CONTROL OF YOUR RETURNS AND YOU KEEP CONTROL OF SHRINK. Firstly, ensure that recall notes are taken care of every day: they are your prompt to send product back. Putting it off until tomorrow or next week runs the risk of forgetting – leading to late returns and disallowed credit. Particular attention needs to be paid to monthly and to infrequent titles. Staff become familiar with dailies and weeklies and know to clear the shelf each day or week, but with monthlies and bi-monthlies, there isn't the same rhythm. For one-shots it is vital to return copies as soon as prompted by the recall note. Failing to do so will increase your risk of late return. Promoted products in different or multi-positions need extra attention to make sure you have removed all the copies. There are a number of other common sense points to remember:

- If in doubt about the recall date for a product, check on the National Title File or with your wholesaler.
- If you have more than one wholesale supplier, ensure staff are trained to treat both returns separately, and conduct regular double checks.
- Watch out for the last SOR issue of partworks and adjust your order for firm sale copies.
- Check the NTF regularly and adjust order for firm sale copies to minimise loss risk on firm sale issues.
- Holiday periods and staff changeovers are classic times where returns tend not to be managed properly so double check at such times.
- Do not leave returns bundles in unsafe areas; make sure they're securely tied and labelled. Your credit is dependent on the goods being identified as yours.
- Finally, check the shelves once a week for any missed returns or misplaced copy: misplaced copy will not sell or be returned on time.

For more information visit
www.xxxxxxxxxxxxxx.co.uk
www.nationaltitlefile.co.uk



CTN Systems



Shrinkage in chains

SHRINK AFFECTS BIG STORES AND CHAINS IN ADDITIONAL WAYS AND MANAGERS NEED TO REMEMBER THESE POINTS:

- The manager needs to take the lead in fighting shrink.
- Recognise and reward good shrink control management.
- Ensure there are clear procedures.
- Ensure range and display are clear and neat.
- Weekends need extra attention reflecting the higher footfall and need for replenishment.
- Weekends also often involve other staff and risks of product misplacement.
- Avoid use of 'dump' keys as far as possible.
- Show your commitment to shrink reduction through notice boards and in-house newsletters.
- Don't confuse your forecourt or other store accounts with your main store account; mixing returns may lead to lost credit and influence future product allocation.
- Lay out stockrooms to a system; for example an A-Z system will help part-time and temporary staff locate product.
- Further separation of weeklies, monthlies and irregulars may add benefit if space allows; shelving is much better than deep racking.

IF YOU DO NOTHING ELSE ABOUT SHRINK, DO THIS!

- Keep a tightly defined magazine range; displays will be cleaner and neater, returns should be lower, product knowledge should be higher – including knowing when returns cut-offs are.
- Scan the shelves once a week to check for old issues which need to be returned.
- Check stock and returns sheets carefully to account for all product flow.
- Check product file data regularly – title details, price changes, etc.
- Check EPoS sales against what has been invoiced and investigate any anomalies.
- Staff awareness – the greater the focus on people, communication, procedures, security and audit, the less the shrink.