

ProfitTalk Bulletin #19

Designed Technology and Team Training Programs for Enterprise Profit Improvement by ProfitTrax

Drive Whole Store Profit Optimization with ProfitTrax AI Reduce Internal Gross Margin Erosion

- Improve Store Team Efficiency and Effectiveness
- Improve Storewide Inventory Turns to Reduce Shrink Loss
- Improve Storewide Variety and Product Freshness
- Reduce Wasted Labor due to Double Handling

For retailers, battling the high expense of internal shrink requires a data-informed, collaborative, store-by-store approach.

The payoff: higher gross margins, improved bottom line profit and better customer experience.

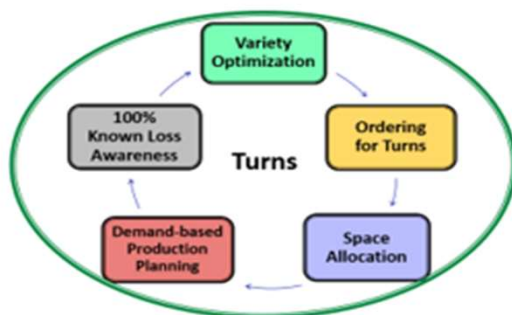
It used to be called “Shrink”. Shrink is a complex and multifaceted topic, consisting of internal and external forces. Focus is better gained when looked at as Internal Gross Margin Erosion. This is where the leader’s focus often gets clouded. Some people think of retail shrink as synonymous with theft and shoplifting. But “shrink” is a much broader term.

Of course, Theft is one part of shrink. The external part. But there are other very significant *internal* parts of shrink such as: waste, spoilage, etc. Most controllable are the factors affecting when things go bad because you’ve ordered too much, when billed for items not received, or when over produced, over space allocated or because sales haven’t met expected demand. In a nutshell – shrink is when inventory fails to turn (sell) before items suffer total or partial profit erosion.

The Great Differentiator

Whole Store Profit Optimization is only achieved with an enterprise-wide, holistic, data-informed and people centric approach focused on Reducing Internal Gross Margin Erosion.

Optimizing Gross Margins and Saving Labor



Larry Miller, Founder of *SRS the ProfitTrax company* has worked with grocers and retail companies on a range of sales and operations topics for Whole Store Gross Margin Optimization. He has written extensively on a holistic approach to store operations and shrink prevention, authored the Cornell University Guide to Loss Prevention and is the creator of the ShrinkTrax program for cashier shrink prevention, the Total Store Manager, and ProfitTrax AI for Gross Margin Optimization.

The NRF says that just over a third (36%) of US retail shrink in 2022 was due to external theft, from shoplifting or organized retail crime, leaving 64% attributed to internal causes. The National Supermarket Shrink Survey reports 67-70% of supermarket shrink loss is caused by internal factors.

According to Miller, when I work with retailers, recognizing that every company has its own operating culture, I stress that Leaders must focus (in their own way) on 6 key areas of business process optimization for inventory turns. (1) Variety Optimization, (2) Ordering, (3) Space Allocations, (4) Production Planning, (5) Excellent Merchandising, and (6) Tracking of Know Shrink Loss/Gross Margin Erosion.

These 6 key components to Whole Store Profit Optimization. They work together to grow sales, reduce internal gross margin erosion, and enhance the customer experience.

For more information about Whole Store Gross Margin Optimization and Reducing Internal Profit Erosion contact:

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