

# Store Visit – Fotex Lyngby

## 1) Receiving / Back Door

- How are deliveries received / checked / put away?
- Are there special procedures for high value goods?
- Do you have direct to store deliveries, how are they controlled?

**Background and Discussion Guide:** Many of the retailers in the group report that DC Pick Accuracy is a problem that is potentially under-stated as a cause of store losses within their business, with cost savings, picker incentives focused on speed not quality, and a sense that any items “lost” are not really lost to the company (wooden dollars) being reasons why DC Pick Accuracy is a bigger cause of loss than currently believed. At this zone the group would be to compare and contrast the approaches taken by FOTEX to control for losses caused by the supply chain processes and thus, better understand the drivers of loss that are outside of the control of the store.

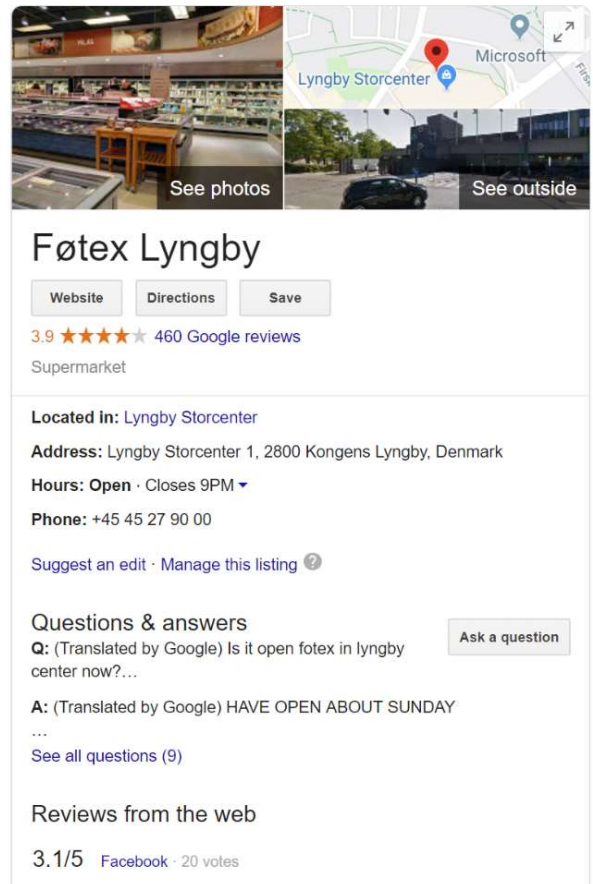
## 2) Production Areas - Deli / Bakery / Butchery / Seafood

- What items are “produced” in the store?
- What are the retail loss / waste challenges and drivers of losses? People, Technology, Process, etc
- What are the loss / waste interventions that are working?

**Background and Discussion Guide:** Production categories in stores, such as bakery, can attract losses of over 15% of sales. These losses are made up of raw materials that cannot be accounted for, of items that cannot be sold because of bad quality or they are out of date, price markdowns to accelerate sales of soon to expire items and theft. The group, especially the grocers, will be keen to hear the practices that Fotex deploy to win / reduce waste & markdowns in production categories, including discussions on training, culture (5S), demand forecasting, markdown policies, data embedded bar codes that carry the expiration date, etc.

## 3) High Shrink Department – Health & Beauty

- What are the biggest loss items in Health & Beauty? What are the drivers of loss? Theft for personal use, theft for re-sales, theft from embarrassment, internal theft, errors, etc
- What are some of the interventions in place to protect high value products from receipt, storage in the back room and the shelf?
- Have you an example of a “success story” in health & beauty shrinkage reduction?



**Background and Discussion Guide:** Health & Beauty can shrink at over 2%, more than 2 or 3X of the average for the company with some categories within Health & Beauty, such as cosmetics reportedly having shrink as high as 20% of sales. Because of the complexity and often a lack of affinity for the category from many store managers (“all pain, and no gain”) it can be hard for buyers in home office to get the store to engage and put the products on open sales because of the fear of theft. This then impacts sales and the customer presentation. To manage the problem of loss, the group regularly share ideas and hear from vendors of the possible role that EAS, Anti-theft fixtures / pegs, regular counting, Video, location in the store, can play to prevent losses. In this zone, the plan would be to compare and contrast the approaches taken by FOTEX to control for losses in health & beauty, with those taken by those in the group.

#### 4) [Checkouts](#)

- How do Fotex, recruit, train and engage the store associates who operate the tills?
- Do you have procedures or technologies in place to monitor “bottom of the basket” and the losses incurred when items are not presented for sale by the shopper? Lanehawk, mirrors, etc
- Do you monitor EPOS transactions to identify unusual associate transactions, refunds, voids, etc.
- How is cash handled, have there been any changes in your approaches over the years to reduce / minimise cost of handling cash? What % of transactions are cash Vs card?

**Background and Discussion Guide:** Recent ECR research on the losses associated with checkout suggests that 18% of unknown losses can be incurred due to non-scanning, miss-scanning and fraud. The risk and extent of losses has been proven to grow with the introduction of self-checkouts, which when participation is circa 50—60% of all transactions can account for over 33% of all unknown losses for a store. A priority for this group is to understand how checkout losses are being controlled. In this zone, the group would talk to their current approaches, relative to Fotex, of controlling for losses at the checkouts.

#### 5) [Returns Desk / Customer Service](#)

- How can customers return products they don't work, are damaged, they don't want, etc to Fotex?
- What are the current policies on returns, must have till receipt? Must have bought in this store Vs another store? Vs Online?
- What controls are in place to prevent fraud?

**Background and Discussion Guide:** ECR has recently published a research paper on returns that documents the extent to which the volume of returns has grown in stores when shoppers are given the option of returning goods from an online purchase to a physical store. The marketing department suggest that offering this “free returns” proposition increases online sales and that a high proportion of those returning goods to the store will make a purchase in the store. In this zone, the group will learn how Fotex manage returns, and will have the chance to share and compare their approaches.