

# STRATEGIES FOR **Success**

## KEEPING INVENTORY FROM SHRINKING

*Reducing shrink  
in your inventory  
is easier if you  
know what to  
watch out for.*

**S**ome business owners go crazy trying to discover how “shrink”—the unexplained loss of inventory—occurs. There are some sane ways to attack this problem and bring such losses within an acceptable range.

More than 90% of shrink can be attributed to theft by employees, vendors or customers. Reducing shrink will help make your business more profitable.

In many businesses, shrink may account for 7% of the inventory. The norm should be between 2 and 2.5%. Surprisingly, 80% of the shrink comes from employee theft! This astonishes most employers because they won't or can't believe their employees steal from them. However, it is a sad truth that most employees will steal if they are given the opportunity, need and justification.

Here are some factors that may cause your shrink to increase:

- **Too much inventory.** The employee believes you'll never miss an overstocked item because there are too many of them remaining.
- **Fast food sales.** These have higher shrink. Employees and customers eat and drink items but don't pay for them.
- **Not enough full-time employees.** Part-time workers usually don't have

the training, attitude or loyalty found in a full-time person.

1. **Inadequate training.** This could cause accidental shrink, i.e., improper handling of merchandise which could cause excessive breakage.
2. **Pricing.** Merchandise often is either not marked, poorly marked or incorrectly priced. Also, price changes are not made on time or not made at all.
3. **Vendors.** Outside vendors are not checked in or out by a qualified person.
4. **Robberies.** Some experts believe dishonest employees fabricate many robberies. However, actual robberies do occur. Two factors that make a store vulnerable are the amount of cash the robber can get and the risk required to get at the cash.

Employers can protect themselves from theft by following three basic techniques:

1. create risk factors
2. monitor trend sheets
3. let employees know that you know how employees steal (but be tactful!).

**To learn more about reducing shrink, consult your Fiducial Business Services representative.**

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